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Perpetuating War Savings as Peace Savings

By JOHN J. PULLEYN

Chairman Committee on Savings, Savings Bank Section

NOW that war is over, the immediate need to repair its damages is evident. The president of one of the great New York financial institutions stated in an address before the recent convention of the American Bankers Association that over $50,000,000,000 of the world's wealth had been disintegrated into vapor and dust by the explosions and flames of this world conflict.

Andre Tardieu, representing the French Government in America, fresh from a study of the needs of devastated France, recently said in a public address that France must have over $10,000,000,000 worth of raw materials and finished products to replace the primal living and production facilities destroyed by war. Comforts and luxuries also destroyed total many billions more.

The United States *must* supply the greater part of these primal needs and as soon as may be. It *can* supply much of the replacements of comforts and luxuries for years to come.

That eminent English financier, Sir Eric Geddes, has said that Britain, though uninvaded, requires over a $1,500,000,000 worth of new machinery to return her manufacturing plants to a peace-time basis.

In Belgium the destruction exceeds that in France. Practically all the machinery has been dismantled, practically all the metals, even to brass candlesticks and copper kettles, carried off by the invaders. Twelve billion dollars will hardly permit the rehousing and re-establishing on a self-sustaining basis of the Belgian population.

Domestic Improvements

In our country municipal and state improvements have been practically stopped in favor of war financing. Almost the only public financing of our railroads, public utilities and industries for the last two years has been done through the medium of short-term notes, which must be refunded by public absorption of long-term issues in the not distant future. We must refinance our own industries in order to place them on a basis of peace-time production. It is estimated that our own needs will exceed $6,000,000,000 yearly for some time to come.

The immediate need of the world is money. America is the one great reservoir of wealth. If we use our wealth wisely we can relieve the sufferings of millions of people, make them self-sustaining, restore prosperity to the world before our business lifetime's end, increase our wealth, our revenues, insure our material welfare, stabilize and make permanent our industrial future. If we use our wealth selfishly, mistakenly, at this time, we shall prolong the suffering of others and thwart the enduring prosperity of ourselves.

In normal times foreign countries to which we export merchandise would seek to pay us in goods—would seek to export to us as much or more than we send them, using gold to settle the trade balance, if in our favor. Our foreign debtors will be unable to pay us in goods, until their industries have been rebuilt and reorganized, some years hence. Neither can they pay us in gold.

If our foreign debtors could pay us in goods it would render far less profitable, indeed far more serious, our internal industrial situation. It may be said, broadly speaking, that the prosperity of nations is determined, in a great measure, by the excess of their exports over their imports. An individual who produces and saves more than he consumes in living and pleasures has a margin which can go toward his enrichment. A nation which produces no more than it consumes is like a salaried man who saves nothing from his earnings and can make no investments, the interest on which will increase his income. If the nation produces more than it consumes and more than it can use in its internal development, and does not sell the surplus to foreign customers, it suffers from over-production and must reduce the surplus by restricting production, which means unemployment and "hard times."

Future Export Trade

In the future this nation must vastly increase its normal export trade, if it is to increase its wealth by anything like the ratio of its opportunity. It must even bulwark and make permanent its present foreign trade, if it is to insure against otherwise unavoidable labor trouble and business depression at home.

Judge Elbert H. Gary, Chairman of the Board of the United States Steel Corporation, said in an interview on November 12: "The war with its cost in men and dollars will bring reactions and readjustments with possible economic demoralization and depression, and possibly panics, and we must be on our guard."

We have 4,000,000 men under arms. We have millions more earning wages from 100 per cent. to 200 per cent. higher than their pre-war wage. These workers at home are producing the goods which the nation consumes, in its ordinary living, the goods we are now selling abroad and the goods consumed by government war expenditures at the rate of approximately $24,000,000,000 yearly. Assuming that we shall need to maintain a million or more men in Europe and continue our ship building program, our government will not spend, it is estimated, more than $8,000,000,000 yearly, once we have caught up the necessary part of the tremendous program to which war committed us.

On December 2, Secretary of the Treasury McAdoo presented to the House of Representatives an official estimate of $8,089,677,000 as the government expenditures for the next fiscal year, beginning July 1, 1919. On December 6 Representative Sherley, Chairman of the House Appropriations Committee, stated that at least $12,000,000,000 would be saved in this fiscal year through cancellation of war contracts and cessation of work. Thus expenditures for war purposes will be reduced in the not distant future by $16,000,000,000, including the reduction of loans to our allies spent in this country for war needs. It is likely that production for our domestic peace-time needs will increase by from $5,000,000,000 to $6,000,000,000, but a net curtailment of $11,000,000,000 to $12,000,000,000 is most probable.

Since we have approximately 26,000,000 workers now engaged in industry, this is a curtailment per worker, or per average family, of nearly $500 yearly. With such curtailment, the purchasing power of the workers is reduced—they can buy less and the industries engaged in supplying domestic needs must suffer. Unemployment is bound to ensue unless other demands for the products of labor replace these demands of the government. Add to this situation 3,000,000 or even 2,000,000 men now in the army returned to civil life and no long look ahead is needed to foresee a possible wave of unemployment with the consequent strikes, labor problems, and the nation-wide depression which always attends such periods.

Unless we increase our peace-time foreign trade, unless we prepare to fill the requirements of those foreign nations who will urgently need our raw materials and finished products for the next two years at least, and unless we develop during that two-year period other customers in Europe, South America and the Orient, we shall deliberately incur a period of depression, perhaps more serious and more lasting than any within the memory of our business lifetimes. Provided we do increase our foreign trade by the full measure of our opportunity, not only shall we protect ourselves against depression, but we shall increase our national prosperity and make it permanent.

One of our great financial institutions estimates our exports for 1918 at approximately $6,200,000,000 and our excess of exports over imports for the four and one-half years of war at $11,000,000,000, or more than the forty years preceding the war. Much of these exports were for war materials and were paid for by funds supplied to our allies by our government, which, to date, total nearly $8,000,000,000 since our entry into the war. This great volume of trade, which has brought us a high-water mark of production activity, clearly indicates the extent to which we must now prepare abroad to measurably maintain this activity. We must endeavor to hold this export trade volume and to increase it by the tonnage measure of our own government war contracts, less the increase of our production for private domestic consumption.

England, France, Belgium, Serbia, Roumania, Poland and the newly federated independencies of Austria and Russia cannot, for a long time to come, send us goods to pay for our exports to them. They can pay us in but one way, with securities. Some of our leading financiers have predicted that the earlier offerings would be of foreign government securities, then industrial securities with interest and principal guaranteed by foreign governments; then, as our people grow educated to the safety and value of these foreign industrials, on their own merits.

Price of Reconstruction and Readjustment

It is estimated that in order to refinance our domestic industries, return our factories to a condition of peace-time production, carry on our public improvements, equip ourselves for foreign trade, provide the materials and machinery to rebuild and re-equip devastated territories abroad, we must provide from $12,000,000,000 to $15,000,000,000 yearly for at least two years.

Can our security markets absorb this amount of securities on a peace-time basis? Not if our pre-war achievements in the absorption of securities afford any basis of judgment.

Is our pre-war machinery for the distribution of securities equal to the task of placing this vast amount with investors? It is not.

Yet, under the spur of patriotism we have proved ourselves capable of raising these and greater sums, although to do so required the efforts of a half million Liberty Loan workers, exerted on 20,000,000 families, or one worker to every forty families.

Before the war we were able to absorb in this country only $2,100,000,000 of our own investment securities in our record bond-buying year. The balance was placed in Europe. The number of our pre-war habitual bond buyers is variously estimated at from 300,000 to 500,000. Under our former system of security distribution a greater number of security buyers could not be reached, as the selling cost became so great it equalled or exceeded the profit on the sales.

Only in rare instances were bonds issued in denominations smaller than $1,000, as our former bond-selling method did not permit sales of smaller amounts to be made at a profit.

A bond salesman was obliged to make sales of approximately $40,000 per week or he was unprofitable to the bond house which employed him. Since over 60 per cent. of his calls would be sure to be unproductive through absence of the customer, desire to

think over the offering, inability to buy at that time, or other kindred reasons, he was obliged to solicit customers who, when they did buy, would buy in amounts sufficient to offset his failures and bring up the average of his week's productivity.

Imagine a bond salesman whose salary and expenses were $125 a week calling on $100 bond buyers. If he made twelve calls a day and sold, say, five customers a $100 bond each, his weekly sales would be perhaps $600, and he would be a net loss of over $100 a week to the house which employed him.

Our old bond-selling machinery was highly organized in the most wasteful manner imaginable. The underwriting of issues by one institution, which sold the bonds to a syndicate, the syndicate in turn re-selling to a sub-syndicate of smaller houses which undertook to distribute the bonds through the personal efforts of salesmen, resulted in a terrific concentration of salesmen on comparatively few buyers of known purchasing power. Savings banks, trust companies, life insurance companies, and other institutions which bought for their own investment were the chief targets of sales effort. One banker in the Mohawk Valley, New York, was once offered the same issue by thirty-five different salesmen and he himself was in the syndicate which undertook to dispose of that issue.

For the reason that securities were held in large amounts market fluctuations were much wider than warranted by the intrinsic value of the securities. Syndicates were frequently formed among fifty to one hundred bond houses. Their 1,000 or more salesmen would all seek to sell the same large customers. Usually a considerable percentage of the houses in the syndicate would not distribute all their allotments, but would unload on the supporting market, with the result that the few real distributors would be obliged to redistribute the share of the less efficient participants. Only in rare circumstances did a healthy market condition prevail on a new issue until some weeks after the issue had been brought out.

Bond Distributive Machinery

The bond houses of the country patriotically offered their distributive services in the first Liberty Loan. The type of effort they have always expended was the only means they knew of distributing securities, and they began to circularize their mailing lists and solicit subscriptions from their customers with no realization, even then, when the change had come and the battle was on, that it was necessary to mobilize an entirely new army of investors and to organize new machinery to reach them.

The War Loan Committee of the American Bankers Association met the first day of the first Liberty Loan to work out a plan to mobilize the 30,000 banks of the country and, through them, reach the people of their communities. Twenty-four hours later the committee finally approved the proof sheets of a plan book prepared by its members and by midnight, that second day, copies were coming off the printing press. This plan book, sent to every bank in the nation, showed each bank how to organize its own employees for the sale of Liberty Bonds, how to form Liberty Loan Committees in its community, how to utilize all the civic, commercial, industrial, social and religious organizations of the community to carry the selling effort to every household. This plan book was the only definite plan of procedure prepared during the first loan. Liberty Loan committees requested copies and were supplied. The banks responded promptly to the call of the American Bankers Association, which continued, through its War Loan Committee, to furnish them advertising and selling matter throughout the loan.

At the conclusion of the Loan over 8,000 banks reported results to the American Bankers Association. Records of the Association show that the banks in the smaller communities using the American Bankers Association plan sold approximately $1,200,000,000 of the $2,000,000,000 issue of the first loan.

It is a tribue to the knowledge of salesmanship and business methods of commercial bankers supposed to be unversed in security sales, that this American Bankers Association plan book prepared by its War Loan Committee, laid out the plan which has been used in every Federal reserve district in every succeeding loan, such changes as have been made being modifications of unimportant details. In the second and subsequent loans the government, through the Federal reserve banks, took over and perfected the organization begun in the first loan. Bond houses as selling units have played only a relatively small part in our war financing. Their individual executives, however, have filled executive positions with great ability, but the real work has been the organization of communities, through committees of men in commercial and industrial pursuits; and always the local banker has been the backbone and the mainstay of these committees.

The banks of the nation have sold the Liberty Bonds which won the war, and our allies unreservedly admit that without the money, supplies and men of America, their cause was lost. Not only have the banks furnished the machinery through which subscriptions could be made, not only have they extended credits to bond-buyers in an amount which made possible not merely fully subscribed loans, but oversubscriptions, but the bankers have done the work of educating, inspiring and even largely of securing the 20,000,000 subscribers of moderate means who came forward and took our government obligations in a volume beside which the buying capacity of the customers of our old financial machine was negligible.

An Intensive Campaign of Saving

The conclusion is obvious. To aid humanity, to put Europe on a self-sustaining basis, to build for ourselves a great and enduring foreign trade, to secure properity, to prevent adversity at home, otherwise unavoidable, we must raise money, absorb securities, in a volume so great that it is hopeless to look to our prewar financial machinery.

We must attempt to retain as habitual savers and investors the 20,000,000 Liberty Loan subscribers—the $50 and $100 bond buyers. The bond houses alone cannot reach them—the banks can. The banks must do the work as they did in Liberty Loans, but now, instead of spending time, effort and money at a loss, sure and foreseen, they should sell bonds and reap a

double reward in greatly enriched communities, stable labor conditions, a constant increment of all those conditions of local prosperity on which the prosperity of a local bank depends.

There should be organized in every community a Committee of Industrial Safety, which will undertake the work of educating the people of that community through frequent meetings, through addresses of well-coached speakers before every social, religious, labor, industrial and commercial organization. The organizations of four-minute men would make a most effective unit in this respect. Instead of disbanding them, they should be continued for this work.

A campaign should be carried on to show the imperative necessity of thrift—thrift to the full meaning of the word—deliberate and premeditated saving for investment—investment in the bonds of the industries which furnish the payrolls of the nation on which, directly or indirectly, we all depend. I would like to see our people taught that they should buy bonds of foreign governments, when the credits so created are to be spent in this country for the products of American labor, to enable a continuance of the wage from which the individual makes the savings to buy the bonds.

Through the Committee on Savings of the Savings Bank Section, we earnestly urge every bank in America to encourage thrift and savings—to take advantage of the wide-reaching public practice the war has created, to supply the funds with which the government prosecuted the war. Start savings banks and departments, create savings facilities to the end that this nation will adequately be able to serve the whole world and thus release the income on foreign obligations and the yearly balance of trade in our favor for further investment in foreign developments.

The machinery exits—the banks are the hub of the wheel. I hope every banker will plan now to perpetuate to peace-time needs the machinery of the Liberty Bond distribution which he had so large a part in building and of which he is so important an element.

The problem is here—it is with us now—the solution cannot wait—the natural forces which sway nations to prosperity or adversity do not wait—the need for action is today.

The A. B. A. Reference Library

The Library of the American Bankers Association, with its resources, is maintained for the benefit of the members of the Association. Many who in the past have made use of its service have found the help received invaluable. The Library is in a position to receive regularly much interesting and reliable material on banking and related subjects, which is collected and preserved for research.

The material in the Library is selected from many different sources, some of which may be mentioned here. The best information on subjects of current interest is found in periodicals and newspapers. The Library receives regularly all the important financial and economic journals, including several British and one in the French language. Other information, chiefly statistical, can only be found in United States government publications. Every effort is made to obtain all pamphlet literature published on current financial questions. Another source of knowledge are the books on finance and allied subjects. All these numerous sources of printed matter are secured as soon as issued, so that the information on any subject is as complete as possible. The material, when received, is checked, read, selected, indexed, catalogued, clipped, filed or shelved, ready for reference when needed.

It might be interesting to mention a few questions, selected from the requests which have been satisfactorily disposed of within the last two months, which will indicate the scope of the subjects covered by the information in the Library:

Statistics on liberty loan subscriptions.
Pamphlets on acceptances.
Foreign exchange as related to imports; sample forms of documents.
Foreign exchange; material and list of books.
New business advertising for a women's department.
Credit statements; material.
Discount houses of London; material.
Amortization; material.
Profit sharing in banks.
Economic conditions in Russia.
State banks, their history.
Interior proving methods; material.
Finance in Italy.
Savings systems in industrial corporations.

A number of pamphlets are in duplicate, so that often material sent out is such that it may be retained by the member making the request. For example, the Library has an interesting collection on acceptances. A folder of extracts, from various sources, on discount houses has recently been made and will be sent on request.

Members are invited to make more extensive use of the advantages of the Library, and inquiries should be as explicit as possible to insure a satisfactory answer. The material is here and "no stone will be left unturned" in search of the required information, the latest and best obtainable.

The Reconstruction Congress

By FRED. E. FARNSWORTH
General Secretary American Bankers Association

UNDER the auspices of the Chamber of Commerce of the United States, there was held at Atlantic City, December 3-6, 1918, a War Emergency and Reconstruction Congress of War Service Committees of American Industries. In results attained, this Congress was the most important and far-reaching of any gathering of delegates held in this country in many years. There were also present at the Congress, National Councillors, presidents and secretaries of organization members. I attended as a representative of the American Bankers Association and also as Councillor representing the Huntington Association.

The end of the war brings with it very many problems of readjustment and reconstruction; and in all probability, the most serious of these questions is that of the great industries of the United States, and a proper adaptation in future business plans to handle correctly our share of the large commerce of the world. The keynote of this Congress was the industrial situation and the adjustment of the problems surrounding the question of capital and labor.

The Congress brought together some 4,000 delegates from far and near, representing the great manufacturing and business interests of the United States. The seriousness of the questions involved was fully exemplified in the large attendance at all of the meetings and the undivided attention given to the various speakers and questions discussed. In addition to the general convention sessions, there were some thirty-six group meetings. These group meetings represented in the subjects under discussion all of the vital questions of the day, such as manufactures, agriculture, food production, public utilities, products of the mines, oil products, building materials, etc. The meetings of these various groups, attended by those directly interested, resulted in beneficial discussion and the formulating of plans; also a series of resolutions which were presented to the Clearance Committee of the Chamber of Commerce, this committee having the handling of all resolutions.

The principal speakers at the general convention were Hon. William C. Redfield, Secretary of Commerce, "Our Opportunity and Obligation in International Trade"; Charles M. Schwab, Director General United States Emergency Fleet Corporation; Colvin B. Brown, Chief Organization Service Bureau; R. G. Rhett, "Relation of Commercial Organizations to Agricultural Interests"; James A. Farrell, "Foreign Trade"; John D. Rockefeller, Jr., "Representation in Industry"; Alba B. Johnson, president Baldwin Locomotive Works; and Hon. Paul M. Warburg, former member Federal Reserve Board, "Finance After the War." This list does not include the many speakers at the group meetings and the conference of National Councillors.

It was a remarkable fact that there emanated from these various groups, from the Congress and from outside sources, approximately 1,000 recommendations and resolutions. The Resolutions Committee was an important body of men and mastered this Herculean task by presenting to the Congress at its last session a series of thirty-five resolutions. As an evidence of the unanimity of the Congress, and the work so well done by the Resolutions Committee, with one exception, the resolutions were all passed unanimously, and in many cases by a rising vote, with much enthusiasm, the exceptional case being two votes against the resolution on railroads.

Among the many important resolutions presented and acted upon were the following: Recommending at the earliest possible date the return of the railroads of the country to their owners, with a Federal charter and proper government control; the establishment of a merchant marine under proper management commensurate with the importance of the United States as a nation; proper consideration of the matter of taxation and that the present government levy of specific taxes be limited to the year 1919; the appointment of a Commission by the Chamber of Commerce to go to Paris and remain there during the deliberations of the peace convention, to be available for suggestions, advice and information; endorsing the plans outlined by the speakers generally as to the question of future labor problems, and the adjustment between labor and capital that will avoid further complications, as enunciated in the Rockefeller principles of industrial relations; that the public interest demands that war orders placed by a contracting agency and accepted in good faith, upon cancellation be promptly adjusted and satisfied; recommending that public works of every sort should be promptly resumed in order to provide employment for unskilled labor; advising that in the proposed tax legislation proper deductions be allowed in inventories on account of the shrinkage in value of merchandise; the strengthening of relations with South America; that the peace treaty arrangements deal directly and positively with the commercial and financial problems growing out of the war; immediate development of some method of financing the reconstruction of industry at home and abroad.

The above are a few of the important subjects embodied in the resolutions; the balance were of a kindred nature.

The Congress was ably presided over by Harry A. Wheeler, its president, of Chicago, Ill.—a task which called for tact, diplomacy and good nature, in which qualities the presiding officer excelled to a high degree.

PROGRAM OF STATE LEGISLATION

1919

RECOMMENDED BY THE AMERICAN BANKERS ASSOCIATION

Issued under the auspices of the Committee on State Legislation, American Bankers Association. For further information apply to THOMAS B. PATON, General Counsel and Secretary to the Committee, 5 Nassau Street, New York City.

To Members of State Legislative Council:

The Constitution of the American Bankers Association makes it the duty of the Committee on State Legislation to urge, through State Organizations, approved drafts of proposed statutes for State enactment. The Committee on State Legislation consists of twelve members located in twelve of the states, and in order that there may be effective work in every state, the Constitution has created the State Legislative Council, to assist the Committee on State Legislation under its direction.

The State Legislative Council consists of (1) the members of the Committee on State Legislation, (2) one member of the Executive Council from each state other than those which have a member of the Committee on State Legislation, or an ex-member from such state when suggested by a member or members of the Executive Council from such state, to be elected by the Executive Council annually at its first meeting after final adjournment of the General Convention, (3) the presidents of the sections and (4) one member of the Association in each state which has no Executive Council member to be appointed by the Chairman of the Committee on State Legislation. A list of the State Legislative Council is appended.

Chairman Peck of the Committee on State Legislation has assigned to each member of the Committee, certain states to which each such member shall give particular attention. A list of the particular states assigned to the supervision of each member of the Committee on State Legislation, is appended.

Forty-three states hold regular legislative sessions during 1919, and a list of these states is appended, showing the dates at which the sessions begin.

The particular subjects of recommended legislation to be urged for enactment during the year 1919 in those states where legislation thereon has not already been procured, are the following:

1. The Uniform Negotiable Instruments Act.
2. The Uniform Bills of Lading Act.
3. The Uniform Warehouse Receipts Act.
4. The Uniform Stock Transfer Act.
5. False Statements for Credit.
6. Derogatory Statements affecting Banks.
7. Liability for Payment of Forged or Raised Checks.
8. Checks or Drafts without funds.
9. Burglary with explosives.
10. Payment of Deposits in Two names.
11. Payment of Deposits in Trust.
12. Competency of Notaries of Banks and other Corporations.
13. Limit of liability of a bank for nonpayment of check through error.
14. Bank Transactions after twelve o'clock noon on Saturdays.
15. Legalizing the sending of checks direct to the drawee.
16. Enabling legislation to authorize state banks and trust companies to join Federal Reserve System.
17. Prevention of fraud in the transfer of accounts receivable by secret transfers.

Drafts of proposed laws on all the above subjects (with the exception of the Uniform Acts on Negotiable Instruments, Bills of Lading, Warehouse Receipts and Stock Transfers which will be forwarded separately to states where not yet enacted; and with the exception of draft of law on the fraudulent secret assignment of accounts receivable, which has not yet been perfected) are presented below, with a short statement of the purpose or underlying reason for their enactment and a list of the states in which each draft has not yet been enacted in the recommended or some modified form.

The member of the State Legislative Council in each state is charged with the supervision of the legislative work in his state. In states where there is more than one member of the State Legislative Council, because of the addition of ex-officio members, the one first named is chiefly charged with this function. The work of promoting state legislation, being conducted through the State organizations of bankers, the Secretaries of such Associations to whom this program of legislation is forwarded will, doubtless, keep in touch with the member of the State Legislative Council in his state and thereby co-ordination of effort will be secured. This program is also forwarded to the state vice-presidents of the American Bankers Association and of the Sections in each State, who, with the Legislative Committees of State Bankers Associations and other bank co-workers in the state, will co-operate to promote the passage of particular subjects of desired legislation. The State Legislative Council member should, virtually, act as chairman of a State Committee created by him and composed of the above elements. The State Legislative Council member will, in turn, keep in touch with the particular member of the Committee on State Legislation to whom his state has been assigned for attention. This, we trust, indicates a harmonious method of procedure which will lead to effective results.

It is desired that early reports of the progress and passage of legislation be made through the indicated channels to the Chairman of the Committee on State Legislation or to the General Counsel of the Association who acts as Secretary to the Committee.

Much of the recommended legislation contained in this circular is of considerable importance, and we trust to make 1919 a banner year in results accomplished.

FOR THE COMMITTEE ON STATE LEGISLATION

THOMAS B. PATON,
General Counsel and Secretary to Committee.
5 Nassau Street, New York.

December 20, 1918.

COMMITTEE ON STATE LEGISLATION

1918-1919.

WILLIAM M. PECK, President Cloud County Bank, Concordia, Kans. *Chairman.*
GEO. W. ROGERS, Vice-President Bank of Commerce, Little Rock, Ark.
F. J. BELCHER, JR., Vice-President First National Bank, San Diego, Calif.
JOHN T. DISMUKES, President First National Bank, St. Augustine, Fla.
CHARLES B. LEWIS, President Fourth National Bank, Macon, Ga.
M. A. TRAYLOR, President Live Stock Exchange National Bank, Chicago, Ill.
J. P. FRENZEL, JR., Vice-President Merchants National Bank, Indianapolis, Ind.
JOHN B. CLEMENT, Vice-President Central Trust Company, Camden, N. J.
BENJAMIN E. SMYTHE, Vice-President Scandinavian Trust Co., New York City.
C. J. SHANNON, JR., President First National Bank, Camden, S. C.
F. H. FARRINGTON, Brandon, (Vice-President Rutland Savings Bank, Rutland,) Vt.
L. A. BAKER, Cashier Manufacturers Bank, New Richmond, Wis.

UNIFORM NEGOTIABLE INSTRUMENTS ACT.

This law has been passed in every State of the Union except Georgia and Texas. The Committees in those states will doubtless make every effort to secure the passage of this Act during 1919.

UNIFORM BILLS OF LADING ACT.

This Act has been passed in 21 states and in the Territory of Alaska. The following states have not yet enacted this law: (States holding sessions during 1919 indicated by italics.)

States where the Uniform Bills of Lading Act needed:

Alabama
Arkansas
Arizona
California
Colorado
Delaware
Florida
Georgia
Indiana
Kansas
Kentucky
Mississippi
Montana
Nebraska
Nevada
New Mexico
North Carolina
North Dakota
Oklahoma
Oregon
South Carolina
South Dakota
Tennessee
Texas
Utah
Virginia
West Virginia
Wyoming

UNIFORM WAREHOUSE RECEIPTS ACT.

This Act has been passed in 41 states, Alaska and Philippines. The following states have not yet enacted this law. (States holding sessions during 1919 indicated by italics.)

States where the Uniform Warehouse Receipts Act needed:

Arizona
Georgia
Indiana
Kentucky
Mississippi
New Hampshire
South Carolina
Texas

UNIFORM STOCK TRANSFER ACT.

This Act has been passed in 12 states and in Alaska. The following states have not yet enacted this law. (States holding sessions during 1919 are indicated by italics.)

States where Uniform Stock Transfer Act needed:

Alabama
Arizona
Arkansas
California
Colorado
Delaware
District of Columbia
Florida
Georgia
Idaho
Indiana
Iowa
Kansas
Kentucky
Maine
Michigan
Minnesota
Mississippi
Missouri
Montana
Nebraska
Nevada
New Hampshire
New Mexico
North Carolina
North Dakota
Oklahoma
Oregon
South Carolina
South Dakota
Texas
Utah
Vermont
Virginia
Washington
West Virginia
Wyoming

FALSE STATEMENTS FOR CREDIT

AN ACT to punish the making or use of false statements to obtain property or credit.

(Whenever a Penal Code or Consolidated Law is in force, the following should be inserted as a section in its appropriate place. Where no such Code exists, the act may properly be enacted as a new act, entitled as above).

Be it enacted, etc.

SECTION 1. Any person,

(1) Who shall knowingly make or cause to be made, either directly or indirectly, or through any agency whatsoever, any false statement in writing, with intent that it shall be relied upon, respecting the financial condition, or means or ability to pay, of himself, or any other person, firm or corporation, in whom he is interested, or for whom he is acting, for the purpose of procuring in any form whatsoever, either the delivery of personal property, the payment of cash, the making of a loan or credit, the extension of a credit, the discount of an account receivable, or the making, acceptance, discount, sale or endorsement of a bill of exchange, or promissory note, for the benefit of either himself or of such person, firm or corporation; or

(2) Who, knowing that a false statement in writing has been made, respecting the financial condition or means or ability to pay, of himself, or such person, firm or corporation in which he is interested, or for whom he is acting, procures, upon the faith thereof, for the benefit either of himself, or of such person, firm or corporation, either or any of the things of benefit mentioned in the first subdivision of this section; or

(3) Who, knowing that a statement in writing has been made, respecting the financial condition or means or ability to pay of himself or such person, firm or corporation, in which he is interested, or for whom he is acting, represents on a later day, either orally or in writing, that such statement theretofore made, if then again made on said day, would be then true, when in fact, said statement if then made would be false, and procures upon the faith thereof, for the benefit either of himself or of such person, firm or corporation, either or any of the things of benefit mentioned in the first subdivision of this section:

Shall be guilty of a felony, punishable by (insert amount of fine, term of imprisonment or both).

STATEMENT

The above draft was jointly prepared in 1909 by Counsel for the National Association of Credit Men and General Counsel of the American Bankers Association. It has been enacted in the form above recommended or with more or less modification, in thirty-three states.

The general purpose of the proposed law is expressed in its title. Nearly every State has some form of statute for the punishment of offenders who obtain money or property by means of false pretenses or representations but such statutes have proved inadequate in numerous cases where frauds have been perpetrated in connection with false statements of condition and experience has shown that a special statute upon this particular subject is necessary. The present draft is broad enough to cover all cases of the making of false written statements to procure property or credit in any form, including cases where such statements are made directly to the one from whom property or credit is sought, as to a merchant or to a bank, or indirectly, as where made to a mercantile agency or a note broker to be used as a source of reliance by the banker who loans money and purchases paper or by the merchant who sells goods. Furthermore, it aims at the person who makes the statement or causes it to be made, whether such person seeks the credit for himself or for any other person, firm or corporation. Subdivision 1 punishes the mere making of a false statement in writing, with intent that it shall be relied on, for the purpose of procuring credit; subdivision 2 punishes the person who procures property or credit upon the faith of a false statement, such person not necessarily being the one who made the statement; and subdivision 3 punishes the person who falsely represents, either orally or in writing, that a previous written statement is true with respect to present financial condition and thereby procures credit.

The following is a list of States wherein this law has not yet been enacted in the form originally drafted or in a modified form. In these States its enactment is desirable and should be urged. Those of the States below named which hold legislative sessions during 1919 are indicated by italics.

States where False Statement for Credit act needed :

Alabama
Arizona
District of Columbia
Georgia
Iowa
Kansas
Massachusetts
Mississippi
Nevada
North Carolina
North Dakota
Oregon
South Carolina
South Dakota
Texas
Washington

DEROGATORY STATEMENTS AFFECTING BANKS

AN ACT to punish derogatory statements affecting banks.

Be it enacted, etc.

SECTION 1. Any person who shall wilfully and maliciously make, circulate or transmit to another or others, any statement, rumor or suggestion, written, printed or by word of mouth, which is directly or by inference derogatory to the financial condition or affects the solvency or financial standing of any bank, savings bank, banking institution or trust company* doing business in this State, or who shall counsel, aid, procure or induce another to start, transmit or circulate any such statement or rumor, shall be guilty of a (felony or misdemeanor), and upon conviction thereof, shall be punished by a fine of not more than five thousand dollars or by imprisonment for a term of not more than five years, or both.

*The names of banking institutions should be specified according to what they are termed in each particular State.

STATEMENT

The above was drafted by General Counsel in 1907 to meet the evil of bank slander to which banks are peculiarly subject, and for which, but for a statute of this kind, there is no adequate redress. Cases occur with considerable frequency where a disgruntled borrower who has been refused a loan or a customer who has some fancied grievance against his bank, maliciously circulates statements or rumors affecting its solvency. As slander (oral defamation) is not a crime at common law some statute, such as above drafted, is obviously needed to punish offenders of this kind. Sometimes the malicious statements are printed and published which would bring the offender within the criminal law of libel. The present draft of statute punishes the specific offense of derogatory statements affecting banks whether in the form of oral or written defamation. We have been successful in procuring the enactment of this statute in the form drafted, or with some modifications, in twenty-three States, and in Alaska. In a number of States the words "untrue in fact" have been inserted after the word "statement" and the words "rumor or suggestion" have been omitted. In the preparation of the above draft the words "untrue in fact" were designedly omitted and the crime was made to depend upon the making of a malicious derogatory statement. Expert criticism demonstrated the unwisdom of bringing in the untruth as a material element of proof of the offence as this might require the dragging of a bank's entire financial condition into court before conviction could be obtained, which would be impracticable.

In the following States this statute has not been enacted in its original or in any modified form. In these States its enactment is desirable and should be urged. Those of the States below named which hold legislative sessions during 1919 are indicated by italics:

States where enactment of Derogatory Statements Law needed:

Alabama	*Maine*	*South Carolina*
Arizona	*Massachusetts*	*South Dakota*
Colorado	*Minnesota*	*Tennessee*
District of Columbia	Mississippi	*Texas*
Georgia	*Montana*	*Utah*
Idaho	*Nebraska*	*Vermont*
Illinois	*New Hampshire*	Virginia
Indiana	*North Dakota*	*West Virginia*
Iowa		*Wisconsin*

CHECKS OR DRAFTS WITHOUT FUNDS

AN ACT to punish the giving of checks or drafts on any bank or other depositary wherein the person so giving such check or draft shall not have sufficient funds or a credit for the payment of the same.

Be it enacted, etc.

SECTION 1. Any person who with intent to defraud shall make or draw or utter or deliver any check, draft or order for the payment of money upon any bank or other depositary, knowing at the time of such making, drawing, uttering or delivery that the maker or drawer has not sufficient funds in or credit with such bank or other depositary for the payment of such check, draft or order in full upon its presentation, shall be guilty of a (felony or misdemeanor), and upon conviction thereof, shall be fined not more than five thousand dollars, or imprisoned not more than five years, or both. The making, drawing, uttering or delivering of

such check, draft or order as aforesaid, shall be *prima facie* evidence of intent to defraud. The word "credit" as used herein shall be construed to mean an arrangement or understanding with the bank or depositary for the payment of such check, draft or order.

STATEMENT

The above draft of statute is designed to increase the protection against, and check the growth of, the pernicious practice of issuing and of negotiating "not good" checks, with intent to defraud, by expressly defining what constitutes this particular crime and providing adequate punishment. There are statutes in most of the States which make it criminal to obtain money or property by means of false representations or pretenses and many frauds by which value is obtained upon worthless checks have led to conviction and punishment thereunder; but under such statutes there have been many loopholes for escape.

Under the recommended draft it is not necessary to prove that money or property was obtained in order to constitute the crime. If A issues his worthless check to B, with intent to defraud, and B obtains money thereon, A can be punished although he personally obtained no value therefor and the liability of B to punishment will depend upon whether he negotiated the check innocently or fraudulently. Again, if A with like intent issues his worthless check to C upon which the latter is induced to give value to or assume some obligation on behalf of B, A can be punished. Under false pretense statutes, furthermore, difficulties have sometimes arisen in proving (1) that the giving of the check under the circumstances of the particular case constituted a false representation or pretense within the meaning of the statute, and (2) that what had been given, done or omitted by the person relying on the check came within the definition of money or property. These difficulties are obviated by the present draft under which the maker who issues and the holder (whether he be maker or another) who negotiates a check, knowing that there are insufficient funds behind it, and with intent to defraud, is punishable.

In a draft previously proposed, the words "with intent to defraud" were eliminated and the mere knowledge that a check was "not good" on the part of the person issuing or negotiating it, was made sufficient to constitute the crime. The theory was that no one should issue or negotiate a check, knowing that it was not good at the time, even though there was a hope or expectation of making it good before it was presented to the bank. But the view has been expressed from several quarters that such proposed statute was too drastic and that innocent people who gave such checks without any intention of wrong-doing might be punished thereunder.

It has accordingly been determined that the draft as now recommended goes as far as is practicable in defining the crime. While "intent to defraud" is made an element, the draft throws the burden of proof upon the accused by providing that "the making, drawing, uttering or delivering of such check, draft or order as aforesaid, shall be *prima facie* evidence of intent to defraud."

The above statute has been enacted in the recommended or modified form in 38 states. In a number of states its effect has been weakened, but the facility of obtaining its passage has been increased, by the insertion of a proviso to the effect, that if the maker of the check within a specified period after notice of nonpayment, makes good the amount to the bank, he shall not be prosecuted. This virtually compounds a felony and such proviso is objectionable.

In the following states this act has not been enacted in the above or in any modified form. States holding sessions during 1919 are indicated by italics:

States where Checks without Funds law is needed:

Arizona	*Massachusetts*	*New Mexico*
Connecticut	*Michigan*	*Oklahoma*
District of Columbia	*Montana*	*Pennsylvania*
Maryland	*New Jersey*	

BURGLARY WITH EXPLOSIVES

AN ACT defining the crime of burglary with explosives and providing the punishment therefor.

Be it enacted, etc.

SECTION 1. Any person who, with intent to commit crime, breaks and enters, either by day or by night, any building, whether inhabited or not, and opens or attempts to open any vault, safe or other secure place by use of nitro-glycerine, dynamite, gunpowder or any other explosive, shall be deemed guilty of burglary with explosives.

SECTION 2. Any person duly convicted of burglary with explosives shall be punished by imprisonment for a term of not less than twenty-five nor more than forty years.

STATEMENT

The operations of the "Yeggman" or "Yegg" type of bank burglar call for punishment of unusual severity and this is not provided by the ordinary statutes against burglary in States where the above law does not obtain. This proposed law defines the crime of burglary with explosives and provides such a severe penalty

that the existence of the law in any State should act as a deterrent against the commission of this crime. Furthermore, a "Yeggman" once convicted and sentenced under this statute is placed where he can do no further harm for a long time, and each conviction lessens the menace from this dangerous class of professional criminals.

This law has been passed in the above or modified form in 24 states and in the following states it has not yet been enacted (those states having sessions during 1919 being indicated in italics):

States where Burglary with Explosives law needed:

Alabama	*Massachusetts*	*South Carolina*
Arizona	Mississippi	*Tennessee*
Arkansas	*Nevada*	*Texas*
District of Columbia	*New Mexico*	*Utah*
Florida	*New York*	*Vermont*
Georgia	*North Carolina*	Virginia
Indiana	*Pennsylvania*	*Washington*
Louisiana	*Rhode Island*	*West Virginia*
Maine		

FORGED OR RAISED CHECKS

AN ACT fixing the liability of a bank to its depositor for payment of forged or raised checks.

Be it enacted, etc.

SECTION 1. No bank which has paid and charged to the account of a depositor any money on a forged or raised check issued in the name of said depositor shall be liable to said depositor for the amount paid thereon unless either (1) within one year after notice to said depositor that the vouchers representing payments charged to the account of said depositor for the period during which such payment was made are ready for delivery, or (2) in case no such notice has been given, within one year after the return to said depositor of the voucher representing such payment, said depositor shall notify the bank that the check so paid is forged or raised.

SECTION 2. The notice referred to in the preceding section may be given by mail to said depositor at his last known address with postage prepaid.

STATEMENT

As originally drafted and enacted in a number of states this law provided:

> "No bank shall be liable to a depositor for the payment by it of a forged or raised check unless within one year after the return to the depositor of the voucher of such payment, such depositor shall notify the bank that the check so paid is forged or raised."

In many states the time limit was changed to six months, three months, sixty days or thirty days. Subsequently the law was redrafted at the instance of the "Law Committee," now the Committee on State Legislation of the Association, in its present form. The purpose is to fix a limit of time (one year or a shorter period) after which a bank will not be liable to its depositor because of the payment of money on a forged or raised check issued in the name of the depositor. The time begins to run when notice has been mailed the depositor that his paid vouchers are ready for delivery or, in case no such notice is given by the bank, the time runs from the return of the forged or raised check to the depositor as a voucher. The original draft of law made the time run from the return of the forged or raised check to the depositor as a voucher. The proposed law in its remodeled form covers, in addition, the numerous class of cases where notice is mailed to the depositor that his vouchers are ready for delivery, but the notice is ignored and the depositor does not obtain his vouchers from the bank.

Twenty-two states have enacted this law in one or the other form. States in which it has not been passed are the following; names of those holding sessions during 1919 are printed in italics:

States where enactment of Forged or Raised Checks law needed:

Alabama	*Illinois*	*New Mexico*
Arizona	*Indiana*	*Oklahoma*
Arkansas	Kentucky	*Pennsylvania*
Colorado	Maryland	*South Carolina*
Connecticut	Mississippi	*Tennessee*
Delaware	*Missouri*	*Texas*
District of Columbia	*Nebraska*	*Utah*
Florida	*Nevada*	Virginia
Georgia	*New Hampshire*	*West Virginia*

PAYMENT OF DEPOSITS IN TWO NAMES

AN ACT relative to payment of deposits in two names.

Be it enacted, etc.

SECTION 1. When a deposit has been made, or shall hereafter be made, in any (specify institutions) transacting business in this State in the names of two persons, payable to either, or payable to either or the survivor, such deposit, or any part thereof, or any interest or dividend thereon, may be paid to either of said persons, whether the other be living or not; and the receipt or acquittance of the person so paid shall be a valid and sufficient release and discharge to the bank for any payment so made.

STATEMENT

This statute has been passed in the above form or with some change in phraseology in 32 states. Joint or Two-Name Accounts in banks are now quite usual, and the purpose is to clear up any legal doubt concerning the authority of the bank to pay over a savings account to the survivor by expressly providing such authority. In New York, California and Michigan, the statute in addition to containing an authority to the bank to pay, declares that the deposit belongs to the persons named as joint tenants.

This law is yet to be enacted in the following states (those holding sessions during 1919 being italicized):

States where Deposits in Two Names law needed:

Alabama
Arizona
Arkansas
Colorado
District of Columbia
Georgia
Indiana
Kentucky
Nevada
New Mexico
North Dakota
Oklahoma
Pennsylvania
South Carolina
Tennessee
Texas
West Virginia

PAYMENT OF DEPOSITS IN TRUST

AN ACT relative to payment of deposits in trust.

Be it enacted, etc.

SECTION 1. Whenever any deposits shall be made in (specify institutions) by any person in trust for another, and no other or further notice of the existence and terms of a legal and valid trust shall have been given in writing to the bank, in the event of the death of the trustee, the same, or any part thereof, together with the dividends or interest thereon, may be paid to the person for whom said deposit was made.

STATEMENT

The above is a necessary, or at all events desirable, law to protect or justify the bank in making payment of a deposit made by one person in trust for another, to the beneficiary upon death of the trustee, in the absence of any other written notice of the existence and terms of a legal and valid trust. Its language is permissive, not compulsory. Originally enacted in New York in 1875 as applicable to savings banks, it has since been embodied in the legislation of a large number of States. In some of the States, its provisions have been amplified. The Massachusetts law, for example, differs from New York in requiring name and residence of beneficiary to be disclosed at time of deposit, in specifically providing that credit shall be given to depositor as trustee, and in adding that payment, upon trustee's death, may be made to legal representative, as well as to beneficiary. This has been followed as a model in several States.

The above draft, which is modeled upon the New York law, or laws substantially to the same effect or with changed phraseology, have been enacted in 24 States. The law is yet to be enacted in the following States (those holding sessions during 1919 indicated by italics):

States where Payment of Deposits in Trust law needed:

Alabama
Arizona
Arkansas
Colorado
District of Columbia
Florida
Georgia
Illinois
Indiana
Iowa
Kansas
Kentucky
Louisiana
Mississippi
Nebraska
Nevada
New Hampshire
New Mexico
North Dakota
Ohio
Oklahoma
South Carolina
Tennessee
Virginia
Washington

COMPETENCY OF BANK AND CORPORATION NOTARIES

AN ACT concerning notaries public who are stockholders, directors, officers, or employes of banks or other corporations.

Be it enacted, etc.

SECTION 1. It shall be lawful for any notary public who is a stockholder, director, officer or employe of a bank or other corporation to take the acknowledgment of any party to any written instrument executed to or by such corporation, or to administer an oath to any other stockholder, director, officer, employe or agent of such corporation, or to protest for non-acceptance or non-payment bills of exchange, drafts, checks, notes and other negotiable instruments which may be owned or held for collection by such corporation: Provided, it shall be unlawful for any notary public to take the acknowledgment of an instrument by or to a bank or other corporation of which he is a stockholder, director, officer, or employe, where such notary is a party to such instrument, either individually or as a representative of such corporation, or to protest any negotiable instrument owned or held for collection by such corporation, where such notary is individually a party to such instrument.

STATEMENT

This proposed law was drafted by General Counsel in December, 1908, and is designed to qualify notaries who are stockholders, officers or employes of banks to take acknowledgments, or make protests of paper in which the bank is interested, or administer oaths to other officers of the bank. The main purpose of the proposed law is to qualify the notary, where a stockholder, to take acknowledgments of instruments running to the bank or to make protests of the bank's paper. Where the notary is an officer or employe, but not a stockholder, he is generally held competent to perform these acts; but where a stockholder, a majority of the courts which have passed upon the question (a minority to the contrary) hold him disqualified to take acknowledgments because of his proprietary interest in the bank to which the instrument runs. In many of the smaller banks throughout the country, frequently the only notary available is the cashier or other officer, who is often, also a stockholder. Reasons of convenience, therefore, underlie the proposed law. The doctrine of some courts that a stockholder is disqualified to act as notary for a bank or other corporation in which he holds stock is based on the impropriety of one having a pecuniary interest acting in such capacity in the bank's behalf; but the theory of impropriety is negatived by the fact that some courts hold the notary competent in such cases, and that several State legislatures have validated past acts of this character.

The above has been enacted, either as drafted or with changed phraseology in 14 States. States which have not yet enacted this law are the following. (Those States holding sessions during 1919 are indicated by italics):

Alabama
Arizona
Arkansas
California
Colorado
Connecticut
District of Columbia
Florida
Georgia
Idaho
Illinois
Indiana
Iowa
Kentucky
Louisiana
Maryland
Massachusetts
Missouri
Nebraska
New Hampshire
New Mexico
North Carolina
North Dakota
Ohio
Oklahoma
Oregon
Pennsylvania
Rhode Island
South Carolina
Tennessee
Texas
Utah
Virginia
West Virginia
Wisconsin

NON-PAYMENT OF CHECK THROUGH ERROR

AN ACT to limit the liability of a bank for non-payment of a check through error.

Be it enacted, etc.

No bank shall be liable to a depositor because of the non-payment through mistake or error and without malice of a check which should have been paid unless the depositor shall allege and prove actual damage by reason of such non-payment and in such event the liability shall not exceed the amount of damage so proved.

STATEMENT

The above draft of proposed law, prepared by General Counsel, was approved and recommended to the State Associations by the Executive Council and General Convention of the American Bankers' Association at the annual session at Richmond in October 1914, as desirable for enactment in their respective states. It is

designed to correct the unjust rule established by the courts in many states to the effect that if a banker refuses to pay the check of a customer who is a merchant or trader, drawn in favor of a third person, when the drawer has funds on deposit sufficient to pay the same, the banker will be liable to such drawer in an action for substantial damages, without proof of actual damage or any malice on the part of the banker. Some of the courts place the right of the drawer to recover substantial (sometimes called compensatory or temperate) damages, without proving actual damage, on the ground of public policy; others, on the ground that the wrongful act of the banker imputes insolvency, dishonesty or bad faith to the drawer and has the effect of slandering a trader in his business. The courts proceed on the theory that the dishonor of his check necessarily must result in material injury to the drawer and therefore hold that the law will conclusively presume such to be the fact without the necessity of any proof thereof. But the fact is often contrary to the presumption and probably in the majority of instances where a customer's check is refused payment through error, the mistake is promptly corrected, an explanatory letter is written by the banker and no actual damage results to the customer. The application of the rule, therefore, works an injustice to the banker who is often mulcted in damages out of all proportion to the imaginary injury inflicted, not infrequently at the suit of a customer who has been in the habit of making over-drafts, but in the particular instance has happened to have a small balance to his credit.

The above statute has been enacted to date in 5 states. In the following states the law has not yet been enacted. (States having sessions during 1919 are indicated by italics).

States where Non-payment of a Check Through Error Law needed:

Alabama	*Maine*	*Oklahoma*
Arizona	Maryland	*Pennsylvania*
Arkansas	*Massachusetts*	*Rhode Island*
Colorado	*Michigan*	*South Carolina*
Connecticut	*Minnesota*	*South Dakota*
Delaware	Mississippi	*Tennessee*
District of Columbia	*Missouri*	*Texas*
Florida	*Nebraska*	*Utah*
Georgia	*Nevada*	*Vermont*
Illinois	*New Hampshire*	Virginia
Indiana	*New Mexico*	*Washington*
Iowa	*New York*	*West Virginia*
Kansas	*North Carolina*	*Wisconsin*
Kentucky	*North Dakota*	*Wyoming*
Louisiana	*Ohio*	

BANK TRANSACTIONS ON SATURDAY AFTERNOON

AN ACT concerning bank transactions after twelve o'clock noon on Saturdays.

Be it enacted, etc.

Nothing in any law of this State shall in any manner whatsoever affect the validity of, or render void or voidable, the payment, certification or acceptance of a check or other negotiable instrument or any other transaction by a bank in this State, because done or performed on any Saturday between twelve o'clock noon and midnight, provided such payment, certification, acceptance, or other transaction would be valid if done or performed before twelve o'clock noon on such Saturday; provided further that nothing herein shall be construed to compel any bank in this State, which by law or custom is entitled to close at twelve o'clock noon on any Saturday, to keep open for the transaction of business or to perform any of the acts or transactions aforesaid, on any Saturday after such hour except at its own option.

NOTE:—The last stated proviso may be omitted in states where there are no half holidays on Saturday by law or custom.

STATEMENT

The Negotiable Instruments Act contains the following provision (except as changed in a few states):

> "Instruments falling due or becoming payable on Saturday are to be presented for payment on the next succeeding business day, except that instruments payable on demand may, at the option of the holder, be presented for payment before twelve o'clock noon on Saturday when that entire day is not a holiday."

In states where no Saturday half-holiday law is in force and the banks keep open the full day, the validity of payment of a check on Saturday afternoon, should the drawer stop payment at the opening of business on the following Monday, has been questioned in view of the above provision and the bank department of one state has officially ruled that such a transaction is unsafe.

There are other states in which Saturday is a legal or a customary half-holiday either throughout the entire state or in certain of the larger cities, in which many banks, notwithstanding the half-holiday, desire to transact business on Saturday afternoon and the question of validity of payment of a check after twelve o'clock is of equal importance.

The object of the above draft of law is to establish, beyond question, the validity of the payment of a check or other banking transaction on Saturday afternoon. The draft has been prepared by General Counsel of the American Bankers' Association pursuant to authority of its Administrative Committee, has been approved by the Committee on State Legislation and is recommended by that Committee to State Bankers' Associations for enactment in all those states where such a law is deemed necessary or desirable.

In Ohio by Act approved May 6, 1913, Section 5978 of the General Code, which provided that "every Saturday afternoon of each year shall be one-half legal holiday for all purposes beginning at twelve o'clock noon and ending at twelve o'clock midnight" was amended by adding the following proviso:

> "Nothing, however, in this section or any other, or any decision of any court, shall in any manner affect the validity of or render void or voidable, any check, bill of exchange, order, promissory note, due bill, mortgage or other writing obligatory made, signed, negotiated, transferred, assigned or paid by any person, persons, corporation or bank upon said half-holiday or any other transaction had thereon."

The draft recommended is, we think, preferable in form to the law enacted in Ohio because (1) the Ohio law provides that nothing in any decision of any court shall affect the validity of certain described transactions and while this might be construed as referring to prior decisions, it is also susceptible of interpretation as attempting to nullify in advance a judicial decision. The constitutionality of the Act is therefore, rendered somewhat doubtfu'. (2) Furthermore, irrespective of constitutionality, in the case of banks not open for business on Saturday half-holidays, it is questionable just how far, if at all, the Ohio act repeals the half-holiday law as to the validity of transactions, especially with reference to the validity of demands or tenders of payment made upon or to a closed bank on Saturday afternoon. The Ohio Act, after providing that Saturday afternoon shall be a half-holiday for all purposes, then declares valid certain described transactions and any other transaction had thereon.

It has been thought preferable to draft a form of law which, instead of expressly declaring that all transactions on Saturday afternoon are valid, makes certain described transactions valid provided they would be valid if done before twelve o'clock. This virtually makes Saturday afternoon a continuation of the forenoon for those banks in half-holiday states which voluntarily keep open, without bringing into question the right of other banks to close their doors at twelve o'clock for all purposes. The proposed draft of law is equally applicable to states where there are no half-holidays by law or custom but where the payment of checks on Saturday afternoon in view of the Negotiable Instruments Act, is of doubtful validity.

The above statute has been enacted in 3 states.* It has yet to be enacted in the following states. (States holding sessions during 1919 indicated by italics.)

States where Bank Transactions after Twelve O'clock Noon on Saturdays Law needed:

Alabama	Kentucky	*North Carolina*
Arizona	*Louisiana*	*North Dakota*
Arkansas	*Maine*	*Ohio*
California	Maryland	*Oklahoma*
Colorado	*Massachusetts*	*Oregon*
Connecticut	*Michigan*	*Rhode Island*
Delaware	Mississippi	*South Carolina*
District of Columbia	*Missouri*	*Texas*
Florida	*Montana*	*Utah*
Georgia	*Nebraska*	*Vermont*
Idaho	*Nevada*	*Washington*
Illinois	*New Hampshire*	*West Virginia*
Indiana	*New Mexico*	*Wisconsin*
Iowa	*New York*	*Wyoming*
Kansas		

*In Minnesota, a clause has been added to the maturity section of the Negotiable Instruments Law, above quoted, as follows: "and if presented after twelve o'clock noon on Saturday when that entire day is not a holiday, may, at the option of the payor, be then paid." Sec. 5897 Stat. of Minn. In Virginia, banks are permitted to do business and transactions are valid on Saturday half-holidays. Ch. 66 Laws, 1918. In Tennessee, the observance of all holidays and half-holidays is optional and business may be transacted thereon. Code §3515.

FORWARDING CHECK DIRECT TO PAYOR

Be it enacted, etc.

SECTION 1. Any bank, banker or trust company, hereinafter called bank, organized under the laws of, or doing business in, this State, receiving for collection or deposit, any check, note or other negotiable instrument drawn upon or payable at any other bank, located in another city or town whether within or without

this State, may forward such instrument for collection directly to the bank on which it is drawn or at which it is made payable and such method of forwarding direct to the payor, shall be deemed due diligence and the failure of such payor bank, because of its insolvency or other default, to account for the proceeds thereof, shall not render the forwarding bank liable therefor, provided, however, such forwarding bank shall have us d due diligence in other respects in connection with the collection of such instrument.

STATEMENT

Statutes similar to the above were enacted in Louisiana in 1916, and in Montana in 1917. Under the general rule adopted by a majority of the courts a bank which forwards an item direct to the payor is guilty of negligence and responsible for any resulting loss. The enactment of this statute would overturn the judicial rule. Custom has sanctioned the practice of forwarding direct and the passage of a law, such as above, would legalize the custom. The statute is yet to be enacted in the following States (those holding sessions in 1919 being indicated by italics).

States where Forwarding Check Direct to Payor Statute is needed :

Alabama
Arizona
Arkansas
California
Colorado
Connecticut
Delaware
District of Columbia
Florida
Georgia
Idaho
Illinois
Indiana
Iowa
Kansas
Kentucky
Maine
Maryland
Massachusetts
Michigan
Minnesota
Mississippi
Missouri
Nebraska
Nevada
New Hampshire
New Jersey
New Mexico
New York
North Carolina
North Dakota
Ohio
Oklahoma
Oregon
Pennsylvania
Rhode Island
South Carolina
South Dakota
Tennessee
Texas
Utah
Vermont
Virginia
Washington
West Virginia
Wisconsin
Wyoming

LEGISLATION ENABLING STATE INSTITUTIONS TO JOIN FEDERAL RESERVE SYSTEM

AN ACT authorizing any bank or trust company incorporated under the laws of this state to become a member of a Federal reserve bank; vesting in such bank or trust company all powers conferred upon member banks by the Federal Reserve Act, subject to the restrictions and limitations imposed by or under that Act; providing as to reserve requirements and examinations.

Be it enacted, etc.

SECTION 1. The words "Federal Reserve Act," as herein used shall be held to mean and to include the act of Congress of the United States approved December 23, 1913, as heretofore and hereafter amended. The words "Federal Reserve Board" shall be held to mean the Federal Reserve Board created and described in the Federal Reserve Act. The words "Federal Reserve Bank" shall be held to mean the Federal reserve banks created and organized under authority of the Federal Reserve Act. The words "member bank" shall be held to mean any national bank, state bank or banking and trust company which has become or which becomes a member of one of the Federal reserve banks created by the Federal Reserve Act.

SECTION 2. That any bank or trust company incorporated under the laws of this state shall have the power to subscribe to the capital stock and become a member of a Federal reserve bank.

SECTION 3. Any bank or trust company incorporated under the laws of this state which is, or which becomes, a member of a Federal reserve bank is by this Act vested with all powers conferred upon member banks of the Federal reserve banks by the terms of the Federal Reserve Act as fully and completely as if such powers were specifically enumerated and described herein, and all such powers shall be exercised subject to all restrictions and limitations imposed by the Federal Reserve Act, or by regulations of the Federal Reserve Board made pursuant thereto. The right, however, is expressly reserved to revoke or to amend the powers herein conferred.

SECTION 4. A compliance on the part of any such bank or trust company with the reserve requirements of the Federal Reserve Act shall be held to be a full compliance with those provisions of the laws of this state which require banks or trust companies to maintain cash balances in their vaults or with other banks, and no such bank or trust company shall be required to carry or maintain reserve other than such as is required under the terms of the Federal Reserve Act.

SECTION 5. Any such bank or trust company shall continue to be subject to the supervision and examinations required by the laws of this state, except that the Federal Reserve Board shall have the right, if it deems necessary, to make examinations; and the authorities of this state having supervision over such bank or trust company may disclose to the Federal Reserve Board, or to examiners duly appointed by it, all information in reference to the affairs of any bank or trust company which has become, or desires to become, a member of a Federal reserve bank.

SECTION 6. All acts and parts of acts inconsistent herewith are hereby repealed.

STATEMENT

At the last Annual Convention of the American Bankers Association held in Chicago, September, 1918, the following resolution was adopted:

> "*Resolved*, That the American Bankers' Association favor the passage by state legislatures, of laws which will authorize and make it desirable for state banks and trust companies to become members of the Federal Reserve System and to this end the Committee on State Legislation are authorized to urge, through state organizations, the passage of such enabling legislation as may be necessary, including any or all of the following provisions and any other provisions which may be needed in particular states to accomplish the end in view.
>
> "(a) That state banks and trust companies may subscribe to stock of, and become members of, Federal reserve banks.
>
> "(b) That banks and trust companies becoming members of a Federal reserve bank shall be vested with all powers conferred upon member banks by the Federal Reserve Act and amendments thereto, and that such powers shall be exercised subject to the restrictions and limitations imposed by the Federal Reserve Act and its amendments, and the regulations of the Federal Reserve Board made pursuant thereto.
>
> "(c) That a compliance with the reserve requirements of the Federal Reserve Act shall be deemed a compliance with the reserve requirements of state law.
>
> "(d) That such banks and trust companies shall continue to be examined by their state authorities, except that the Federal Reserve Board shall have the right if it deems necessary, to make examinations; and that the state authorities may disclose to the Federal Reserve Board all information in reference to the affairs of those banks or trust companies which become or desire to become members of a Federal reserve bank."

To carry out the purpose of the foregoing resolution, the above draft of law is suggested for enactment in those states that have, as yet, enacted no enabling legislation; and in states which have enacted legislation partially covering the subject, such of the above provisions as may seem desirable can be adapted for independent enactment.

The above draft of law has been adapted from a form prepared by Counsel of the Federal Reserve Board to standardize state legislation on the subject and bring about co-ordination in the powers of member banks and uniformity in the laws regulating their business. The only substantial changes in the draft above presented are in the title, which has been shortened and in section five relating to examinations. Section five of the draft prepared by Counsel of the Federal Reserve Board provides that state banks or trust companies shall be subject to the examinations required under the terms of the Federal Reserve Act and permits the state authorities to accept the Federal examinations in lieu of the state examinations, with permission to the state authorities to furnish information of the condition of state member banks to the Federal examiners. Our Committee on State Legislation after considering this particular provision and after full discussion with representatives of state banking interests, disapproved same in the form originally prepared and favored a provision under which the state authorities retained the right and function of making examinations, granting, however, such right, if deemed necessary, to the Federal Reserve Board; the state authorities being permitted to disclose information as to the affairs of a bank to the Federal Reserve Board or its duly appointed examiners. The resolution adopted by the Convention incorporated this view and Section 5 is drafted in accordance with the resolution.

The following information prepared largely from data furnished by Counsel of the Federal Reserve Board, indicates the status of laws of the different states on this subject:

STATES WHICH HAVE ENACTED NO ENABLING LEGISLATION.

(States holding sessions in 1919 italicized.)

Alabama
Arizona
Arkansas
Colorado
Delaware
Illinois
Indiana
Kansas
Maryland
North Carolina
Oklahoma
Tennessee
Utah
Vermont
West Virginia
Wyoming

OTHER STATES.

(Those holding sessions in 1919 italicized.)

CALIFORNIA.

State banks are premitted to become members but apparently no provision has been made for trust companies to do so (Bank Act, Sec. 56). Banks becoming members may have and exercise all powers not in conflict with state laws (Bank Act, Sec. 56). Such banks may carry with Federal reserve bank that part of their reserve required by Federal Reserve Act (Bank Act, Sec. 20).

Suggested Legislation.

Trust Companies should be authorized to become members and provisions of draft above submitted as to reserve and examinations should be enacted as to both banks and trust companies.

CONNECTICUT.

No enabling legislation enacted since passage of Federal Reserve Act except that state banks are permitted to count balances carried with Federal reserve banks as part of their reserve. (Pub. Acts 1917, Ch. 10).

Suggested Legislation.

Form of bill as above drafted.

FLORIDA.

State laws provide that it is not lawful for state banks or trust companies to buy stock in any other corporation except Federal Reserve Banks (Act June 4, 1917).

Suggested Legislation.

State banks and trust companies should be expressly authorized to become members and the above draft of law in its entirety would be desirable.

GEORGIA.

Banks are permitted to become members and are required to comply with Federal Reserve Act, in joining system. (Acts 1915, No. 143, page 33).

Suggested Legislation.

Enactment of provisions of above draft granting powers given by Federal Reserve Act, subject to restrictions thereof and provisions as to reserve and examinations.

IDAHO.

Banks are permitted to become members; apparently no provision for trust companies. Such banks are authorized to comply with laws of the United States and regulations of the Federal Reserve Board and Comptroller of the Currency, anything in the State laws notwithstanding. (Banking law as amended 1915, Sec. 41a.)

Suggested Legislation.

Trust companies should be authorized to become members and banks and trust companies becoming members should be vested with all powers conferred on member banks by Federal Reserve Act, subject to restrictions. Provisions of draft as to reserve and examinations should be enacted.

IOWA.

State banks, savings banks and trust companies authorized to become members of the Federal Reserve System on vote of 51% of stockholders (Laws 1917, p. 37).

Suggested Legislation.

Amendment suggested making it unnecessary for stockholders to vote on membership and addition of provisions of above draft granting powers given by the Federal Reserve Act, subject to restrictions of that Act; also the provisions as to reserve and examinations.

KENTUCKY.

State banks and trust companies are permitted to become members of a Federal reserve bank subject to all the provisions of the Federal Reserve Act and its amendments and to the regulations of the Federal Reserve Board applicable to such bank or trust company and shall have all the powers and assume all liabilities conferred and imposed by such act in regard to state member banks and any such bank or trust company shall comply with the reserve requirements of the Federal Reserve Act and its amendments and the compliance of such bank or trust company therewith shall be in lieu of and shall relieve such bank or trust company from compliance with the provisions of the laws of this commonwealth relating to the maintenance of reserves; (Section 584, Carroll's Kentucky Statutes as amended in 1918). As amended the law further provides: "Provided that any bank or trust company or combined bank and trust company which shall become a member of a Federal reserve bank created and organized under the Act of Congress known as the Federal Reserve Act shall be subject to the examination required under the terms of the said Federal Reserve Act, and the Banking Commissioner may, in his discretion, accept examinations made by the Federal reserve authorities in lieu of examinations made under the laws of this commonwealth; and the banking commissioner is further authorized and directed to furnish to the Federal reserve agent of the district in which such member bank may be situated, copies of reports and examinations made of such member bank." (Amendment March 26, 1918, of Section 165-a 8 Carroll's Kentucky Statutes).

Suggested Legislation.

The amendments passed in 1918 cover the subjects of the above draft and no further legislation would seem necessary; except that the provision as to examinations is that suggested in the draft of counsel of the Federal Reserve Board which, as above shown, is modified in the A. B. A. resolution recommending legislation on this subject.

LOUISIANA.

State banks and trust companies may become members. Required to conform to regulations of the Federal Reserve Act but surrender no rights under State law. (Act 305, Laws 1914.)

Suggested Legislation.

State banks and trust company members should be granted all powers conferred by Federal Reserve Act subject to restrictions of that Act. Provisions of above draft as to reserve and examination should also be enacted.

MAINE.

Trust companies may become members. Apparently no reference to State banks. May have and exercise all powers and privileges of member banks. Subject to provisions of Federal Reserve Act concerning reserve in substitution for State requirements. (Rev. Stat. Ch. 52, Sec. 81.) Provision made for joint examination of state and national banks when occupying the same rooms. (Rev. Stat. Ch. 52, Sec. 51.)

Suggested Legislation.

The enactment of the provisions of the above draft as to examinations

MASSACHUSETTS.

Trust companies permitted to become members. No reference to State banks. It is understood that there are no State banks in Massachusetts except a few recently organized under an old statute. Trust companies becoming members may have and exercise all powers and privileges of member banks under the Federal Reserve Act. The Federal Reserve Act reserve requirements substituted for State requirements. Bank Commissioner may furnish national bank examiner or National Government with such information, reports and statements as he may deem best. (Acts 1914, Ch. 537; Acts 1912, Ch. 173.)

Suggested Legislation.

Existing law seems to sufficiently cover subject.

MICHIGAN.

Banks may become members. The amount of reserve required to be kept on hand shall be as fixed by Federal Reserve Act instead of State law. (Act 11, Laws 1913; Act 25, Laws 1915.)

Suggested Legislation.

Banks becoming members should be vested with all powers conferred on member banks by Federal Reserve Act subject to restrictions thereof. Present provisions as to reserve requirements somewhat ambiguous and provisions of above draft should be substituted. Provisions of above draft as to examinations should also be enacted.

MINNESOTA.

State banks and trust companies may become members. (Ch. 28, Laws 1915.)

Suggested Legislation.

Bank and trust company members should be vested with all powers conferred upon member banks by Federal Reserve Act subject to restrictions therein imposed. Provisions of above draft as to reserve and examinations should also be enacted.

MISSISSIPPI.

Banks and trust companies may become members. Compliance with reserve requirements of Federal Reserve Act shall be in lieu of compliance with provisions of State law relative to maintenance of reserve. (Legislation 1918.)

Suggested Legislation.

Bank and trust company members should be vested with all powers, subject to restrictions, conferred on member banks by the Federal Reserve Act. Provisions of above draft as to examinations should be enacted.

MISSOURI.

Banks and trust companies may become members. Vested with powers of members under Federal Reserve Act not in conflict with State law but generally subject to all provisions of State Banking Laws. Required to maintain only such reserves as required by Federal Reserve Act and amendments. (Rev. Stat. 1909, as amended by 48th General Assembly, Art. II, Sec. 66; Art. III, Sec. 127, 138.)

Suggested Legislation.

Provisions of above draft as to examination should be enacted.

MONTANA.

Banks, trust companies, savings banks and investment companies may become members. They must conform to and transact business in accordance with provisions of Federal Reserve Act. Compliance with reserve requirements of Federal Reserve Act accepted in lieu of State requirements. (Ch. 89, Laws 1915; Ch. 136, Laws 1917.)

Suggested Legislation.

Provision conferring additional powers somewhat ambiguous. Provisions of Section 3 of above draft vesting bank with powers conferred upon member banks, subject to restrictions, probably should be enacted; also provisions of above draft as to examinations.

NEBRASKA.

Banks and trust companies may become members. Have power to assume liabilities and exercise all powers of member banks and are subject to all provisions of Federal Reserve Act and regulations of Federal Reserve Board. Subject to examination by authorities under Federal Reserve Act and State authorities may accept such examination in lieu of that required by State law. (Ch. 175, Laws 1915.)

Suggested Legislation.

Provision of Section 4 of above draft should be enacted as to reserve requirements. It is also to be noted that the present law as to examinations differs from that of the draft above recommended.

NEVADA.

State banks permitted to become members of system. Apparently no reference to trust companies (Ch. 32, Laws 1915.)

Suggested Legislation.

Trust companies should be authorized to become members. Bank and trust company members should be vested with all powers conferred by Federal Reserve Act. Members subject to restrictions imposed by that Act. Provisions of Sections 4 and 5 of above draft as to reserve requirements and examinations should be enacted.

NEW HAMPSHIRE.

Power of trust companies to become members recognized by implication. Such companies may exercise all powers and privileges under Federal Reserve Act as members and are subject to reserve requirements of Federal Reserve Act in substitution for State requirements. (Ch. 109, Laws 1915, Sec. 28.)

Suggested Legislation.

State banks should be specifically authorized to become members and provisions of Section 5 of above draft as to examinations should be enacted.

NEW JERSEY.

State banks and trust companies may become members; may assume liabilities and become entitled to benefits recited in Federal Reserve Act; are subject to reserve requirements of Federal Reserve Act instead of State law. (Ch. 159, Laws 1914, Ch. 225; Laws 1917.)

Suggested Legislation.

Provisions of Section 5 of above draft as to examinations should be enacted.

NEW MEXICO.

State banks, savings banks or trust companies may become members and exercise all powers of members under Federal Reserve Act. All state banks, whether members or not, may keep on deposit with Federal Reserve Bank that part of their reserve not required to be kept as cash in vault. (Ch. 53, Laws 1917; Banking Laws 1915, Art. VII, Sec. 96.)

Suggested Legislation.

The provisions of Section 4 and 5 of above draft as to reserve requirements and examinations should be enacted.

NORTH DAKOTA.

Banks may become members. (Comp. Laws, 1913, Ch. 28, Sec. 5187 as amended by Ch. 54, Laws 1915.)

Suggested Legislation.

Provisions of Section 3 of above draft vesting powers, etc., of Section 4 as to reserve requirements and of Section 5 as to examinations should be enacted.

NEW YORK.

State banks and trust companies may become members; may have and exercise all powers conferred on member banks by Federal Reserve Act not in conflict with state laws; may maintain as reserve on deposit with Federal Reserve Bank such portion of its total reserve as shall be required by Federal Reserve Act, but a bank with an office in a borough of 2,000,000 or over, must carry remainder of its total reserve as reserve on hand. (Consolidated Laws, Ch. 2 [Ch. 369, Laws 1914, with amendments 1917] Sec. 106; Id. Sec. 112; Id. Sec. 185; Id. Sec. 197.)

Suggested Legislation.

Provisions of Section 5 of above draft as to examinations should be enacted.

OHIO.

Every corporation having power to receive money on deposit may become a member bank with power to do everything required of or granted by Federal Reserve Act to member banks. Compliance with reserve requirements of Federal Reserve Act accepted in lieu of compliance with state requirements. Permits exchange of certain valuable information relating to banks and banking business with national bank authorities. (General Code Sec. 12898; Sec. 9796–2.)

Suggested Legislation.

Provisions of Section 5 of above draft as to examinations should be enacted.

OREGON.

State banks and trust companies may become members and may exercise all powers under Federal Reserve Act not in conflict with state laws. Remain subject to all state laws. May maintain on deposit with Federal Reserve Bank such part of total reserve as is required by Federal Reserve Act. (Ch. 285, Laws 1915; Ch. 197, Laws 1917.)

Suggested Legislation.

Provisions of Sections 4 and 5 of above draft as to reserve requirements and examinations should be enacted.

PENNSYLVANIA.

The present law contains provisions substantially similar to those of above draft, except that Section 5 as to examinations provides that state banks or trust companies shall be subject to the examination under the terms of the Federal Reserve Act and permits the state authorities to accept the Federal examinations in lieu of state examinations, etc. (Act July 17, 1917.)

Suggested Legislation.

No further legislation required, except it is to be noted that the provisions of Section 5 of the above draft as to examinations differ from the Pennsylvania law.

RHODE ISLAND.

Banks and trust companies may become members and exercise all powers and privileges under Federal Reserve Act and are subject to provisions of Federal Reserve Act and regulations of Federal Reserve Board. Lawful for Bank Commissioner or Assistant to exhibit or disclose records of examination and other information relative to member banks to Federal Reserve Board or its agent. (Ch. 1514, Pub. Laws 1917.)

Suggested Legislation.

Provisions of Sections 4 and 5 of above draft as to reserve requirements and examinations should be enacted.

SOUTH CAROLINA.

Banks, banking associations and trust companies may become members. (Acts 1914, No. 333). State law does not require any reserve.

Suggested Legislation.

Provisions of Section 3 vesting powers, etc., conferred upon member banks by Federal Reserve Act and of Section 5 as to examinations, contained in the above draft, should be enacted.

SOUTH DAKOTA.

State banks and all corporations which receive deposits may become members and must comply with and be subject to Federal Reserve Act and amendments. Anything in laws of state to contrary, notwithstanding. (Bank Guaranty Law 1915, Art. 2, Sec. 1, 36.)

Suggested Legislation.

Provisions of Section 5 of above draft as to examinations should be enacted.

TEXAS.

Banks and trust companies may become members; have authority to conform to and are subject to Federal Reserve Act and amendments and to regulations of Federal Reserve Board. Reserve requirements apparently those originally contained in Federal Reserve Act. Commissioner of Insurance and Banking or any state bank examiner authorized to forward to Comptroller of Currency or Federal Reserve Board, copies of reports of examination of any particular bank. (Act, Oct 19, 1914, Secs. 1—4.)

Suggested Legislation.

Provisions of Sections 4 and 5 as to reserve requirements and examinations should be enacted.

VIRGINIA.

Banks and trust companies may become members. (Act, Mch. 2, 1914.)

Suggested Legislation.

Provisions of Section 3 of above draft vesting banks with all powers, etc., conferred by Federal Reserve Act; of Section 4 as to reserve requirements and Section 5 as to examinations should be enacted.

WASHINGTON.

Banks and trust companies may become members and may comply with U. S. laws and regulations; reserve requirements of Federal Reserve Act accepted in lieu of state requirements and state authorities may disclose information to Federal Bank examiner. (Ch. 80, Laws 1917.)

Suggested Legislation.

Section 3 of above draft as to vesting with powers conferred by Federal Reserve Act and Section 5 as to examinations should be enacted.

WISCONSIN.

State banks may become members of Federal Reserve Bank and exercise all powers not in conflict with laws of state, but continue subject to duties and liabilities under state laws. State authorities may compare notes concerning banks with National Bank Examiner. (Ch. 721, Acts, 1913; Ch. 76, Acts, 1915.)

Suggested Legislation.

Provisions of Sections 4 and 5 of above draft as to reserve requirements and examinations should be enacted.

FRAUD IN THE SECRET TRANSFER OF ACCOUNTS RECEIVABLE.

At the last Annual Convention of the American Bankers Association held in Chicago, September, 1918, the following resolution was unanimously adopted:

> "*Resolved*, that the American Bankers Association favor, and the Committee on State Legislation are authorized to draft and urge, through State organizations, the passage of a uniform statute to prevent fraud in the transfer of accounts receivable by secret transfers."

This is a subject in which the National Association of Credit Men are interested equally with the bankers and it is desired to urge a draft of law agreed upon and acceptable to both organizations. The precise form of draft of law on this subject is now under consideration by Counsel for the respective organizations, but has not yet been perfected. It will be presented in a subsequent circular.

LIST OF 1919 LEGISLATIVE SESSIONS

State	Convenes	State	Convenes
ALABAMA	January 14, 1919	NEW HAMPSHIRE	January 1, 1919
ARIZONA	" 13, 1919	NEW JERSEY	" 14, 1919
ARKANSAS	" 13, 1919	NEW MEXICO	" 14, 1919
CALIFORNIA	" 6, 1919	NEW YORK	" 1, 1919
COLORADO	" 8, 1919	NORTH CAROLINA	" 8, 1919
CONNECTICUT	" 8, 1919	NORTH DAKOTA	" 7, 1919
DELAWARE	" 7, 1919	OHIO	" 6, 1919
FLORIDA	April 8, 1919	OKLAHOMA	" 7, 1919
GEORGIA	June 25, 1919	OREGON	" 13, 1919
IDAHO	January 6, 1919	PENNSYLVANIA	" 7, 1919
ILLINOIS	" 8, 1919	RHODE ISLAND	" 7, 1919
INDIANA	" 9, 1919	SOUTH CAROLINA	" 14, 1919
IOWA	" 13, 1919	SOUTH DAKOTA	" 7, 1919
KANSAS	" 14, 1919	TENNESSEE	" 6, 1919
MAINE	" 1, 1919	TEXAS	" 14, 1919
MASSACHUSETTS	" 1, 1919	UTAH	" 13, 1919
MICHIGAN	" 1, 1919	VERMONT	" 8, 1919
MINNESOTA	" 7, 1919	WASHINGTON	" 13, 1919
MISSOURI	" 8, 1919	WEST VIRGINIA	" 8, 1919
MONTANA	" 6, 1919	WISCONSIN	" 8, 1919
NEBRASKA	" 7, 1919	WYOMING	" 14, 1919
NEVADA	" 20, 1919		

DESIGNATIONS FOR COMMITTEE ON STATE LEGISLATION 1918-1919

List of states designated by Chairman Peck to which each member give particular attention.

One Year Term.

WM. M. PECK, President The Cloud County Bank, Concordia, Kansas.

Nebraska
Colorado
Kansas
Oklahoma

GEORGE W. ROGERS, Vice-President Bank of Commerce, Little Rock, Arkansas.

Arkansas
Texas
Missouri
New Mexico

One Year Term.—Continued.

C. J. SHANNON, JR., President First National Bank, Camden, South Carolina.

South Carolina
North Carolina
Virginia
West Virginia

J. P. FRENZEL, JR., Vice-President Merchants National Bank, Indianapolis, Indiana.

Indiana
Kentucky
Ohio

Two Year Term.

BENJAMIN E. SMYTHE, Vice-President Scandinavian Trust Company, New York City.

New York
Connecticut
Massachusetts
Rhode Island

JOHN T. DISMUKES, President First National Bank, St. Augustine, Florida.

Florida
Louisiana
Mississippi

F. H. FARRINGTON, Brandon (Vice-President Rutland Savings Bank, Rutland), Vermont.

Vermont
Maine
New Hampshire

M. A. TRAYLOR, President Live Stock Exchange National Bank, Chicago, Illinois.

Illinois
Iowa
Michigan

Three Year Term

JOHN B. CLEMENT, Vice-President Central Trust Company, Camden, New Jersey.

New Jersey
Delaware
Pennsylvania
District of Columbia

CHARLES B. LEWIS, President Fourth National Bank, Macon, Georgia.

Georgia
Tennessee
Alabama

L. A. BAKER, Cashier Manufacturers Bank, New Richmond, Wisconsin.

Wisconsin
North Dakota
South Dakota
Minnesota
Montana
Wyoming

F. J. BELCHER, JR., Vice-President First National Bank, San Diego, California.

Washington
Idaho
Utah
Nevada
Oregon
California
Arizona

STATE LEGISLATIVE COUNCIL.
1918-1919.

WILLIAM M. PECK, President, Cloud County Bank, Concordia, Kansas, *Chairman.*

ALABAMA.

T. O. SMITH,
Vice-President Birmingham Trust & Savings Co., Birmingham.

ARIZONA.

R. E. MOORE,
Vice-President Valley Bank, Phoenix.

ARKANSAS.

GEO. W. ROGERS,
Vice-President Bank of Commerce, Little Rock.

CALIFORNIA.

F. J. BELCHER, JR.
Vice-President First National Bank, San Diego.

STODDARD JESS,
President First National Bank, Los Angeles (President Clearing House Section).

FREDERICK H. COLBURN,
Secretary California Bankers' Association, San Francisco (President State Secretaries Section).

COLORADO.

JAMES C. BURGER,
President Hamilton National Bank, Denver.

CONNECTICUT.

NATHAN D. PRINCE,
Vice-President Connecticut Trust & Safe Deposit Co., Hartford.

DELAWARE.

GEORGE H. HALL,
President Milford Trust Co., Milford.

DISTRICT OF COLUMBIA.

C. J. BELL,
President American Security & Trust Co., Washington.

FLORIDA.

JOHN T. DISMUKES,
President First National Bank, St. Augustine.

GEORGIA.

CHARLES B. LEWIS,
President Fourth National Bank, Macon.

IDAHO.

WALTER E. MILLER,
President First National Bank, Nampa.

ILLINOIS.

M. A. TRAYLOR,
President Live Stock Exchange National Bank, Chicago.

C. B. HAZLEWOOD,
Vice-President Union Trust Co., Chicago (President State Bank Section).

INDIANA.

J. P. FRENZEL, JR.,
Vice-President Merchants National Bank, Indianapolis.

IOWA.

GEORGE S. PARKER,
President Live Stock National Bank, Sioux City.

KANSAS.

W. M. PECK,
President Cloud County Bank, Concordia.

KENTUCKY.

J. K. WALLER,
President Peoples Bank & Trust Co., Morganfield.

LOUISIANA.

A. T. KAHN,
Vice-President Commercial National Bank, Shreveport.

MAINE.

E. S. KENNARD,
Cashier Rumford National Bank, Rumford.

MARYLAND.

WALDO NEWCOMER,
President National Exchange Bank, Baltimore.

MASSACHUSETTS.

GEO. A. MACDONALD,
President Chicopee National Bank, Springfield.

MICHIGAN.

A. G. BISHOP,
President Genesee County Savings Bank, Flint.

MINNESOTA.

CLIFF W. GRESS,
Vice-President Citizens' State Bank, Cannon Falls.

J. C. THOMSON,
A. C. Northwestern National Bank, Minneapolis (President American Inst. of Banking Section).

MISSISSIPPI.

T. W. YATES,
Vice-President Commercial Bank & Trust Co., Laurel.

MISSOURI.

W. H. POWELL,
President Citizens National Bank, Sedalia.

MONTANA.

RALPH O. KAUFMAN,
Vice-President and Cashier Union Bank & Trust Co., Helena.

NEBRASKA.

R. O. MARNELL,
Cashier Merchants National Bank, Nebraska City.

NEVADA.

GEORGE WINGFIELD,
President Reno National Bank, Reno.

NEW HAMPSHIRE.

IRA F. HARRIS,
Cashier Indian Head National Bank, Nashua.

NEW JERSEY.

JOHN B. CLEMENT,
Vice-President Central Trust Company, Camden.

NEW MEXICO.

H. B. JONES,
President First National Bank, Tucumcari.

NEW YORK.

BENJAMIN E. SMYTHE,
Vice-President Scandinavian Trust Co., New York City.

JOHN W. PLATTEN,
President United States Mortgage & Trust Co., New York City. (President Trust Company Section).

VICTOR A. LERSNER,
Comptroller Williamsburg Savings Bank, Brooklyn, N. Y. (President Savings Bank Section).

NORTH CAROLINA.

LEAKE S. COVINGTON,
Cashier Farmers Bank, Rockingham.

NORTH DAKOTA.

J. J. NIERLING,
President Citizens National Bank, Jamestown.

OHIO.

I. M. TAGGERT,
President Merchants National Bank, Massillon.

OKLAHOMA.

T. H. DWYER,
President Chickasha National Bank, Chickasha.

OREGON.

W. L. THOMPSON,
President American National Bank, Pendleton.

PENNSYLVANIA.

J. W. B. BAUSMAN,
President Farmers Trust Co., Lancaster.

RHODE ISLAND.

GEO. W. GARDINER,
Vice-President Union Trust Co., Providence.

SOUTH CAROLINA.

C. J. SHANNON, JR.,
President First National Bank, Camden.

SOUTH DAKOTA.

JOHN W. WADDEN,
President Lake County National Bank, Madison.

TENNESSEE.

FRED. COLLINS,
Cashier Milan Banking Company, Milan.

TEXAS.

A. M. GRAVES,
Cashier Red River National Bank, Clarksville.

UTAH.

W. S. MCCORNICK,
President McCornick & Co., Bankers, Salt Lake City.

VERMONT.

F. H. FARRINGTON,
Brandon (Vice-President Rutland Savings Bank, Rutland, Vt.)

VIRGINIA.

C. E. TIFFANY,
President Fauquier National Bank, Warrenton.

OLIVER J. SANDS,
President American National Bank, Richmond (President National Bank Section).

WASHINGTON.

D. W. TWOHY,
President Old National Bank, Spokane.

WEST VIRGINIA.

H. W. CHADDUCK,
Vice-President Grafton Banking & Trust Co., Grafton.

WISCONSIN.

L. A. BAKER,
Cashier Manufacturers Bank, New Richmond.

WYOMING.

GEORGE W. PERRY,
Vice-President Sheridan National Bank, Sheridan.

A. B. A. Committee on Commerce and Marine

President Robert F. Maddox of the American Bankers Association announces the appointment of a Committee on Commerce and Marine, consisting of fifteen members, to carry out the action of the Chicago Convention on the subject of the merchant marine. The resolution adopted pledged the Association "to support by every means in its power the development of export trade, to encourage manufacturers to enter upon this field of distribution, and to provide as rapidly as possible adequate facilities for financing export operations sufficient to meet every reasonable demand that may arise." The committee follows:

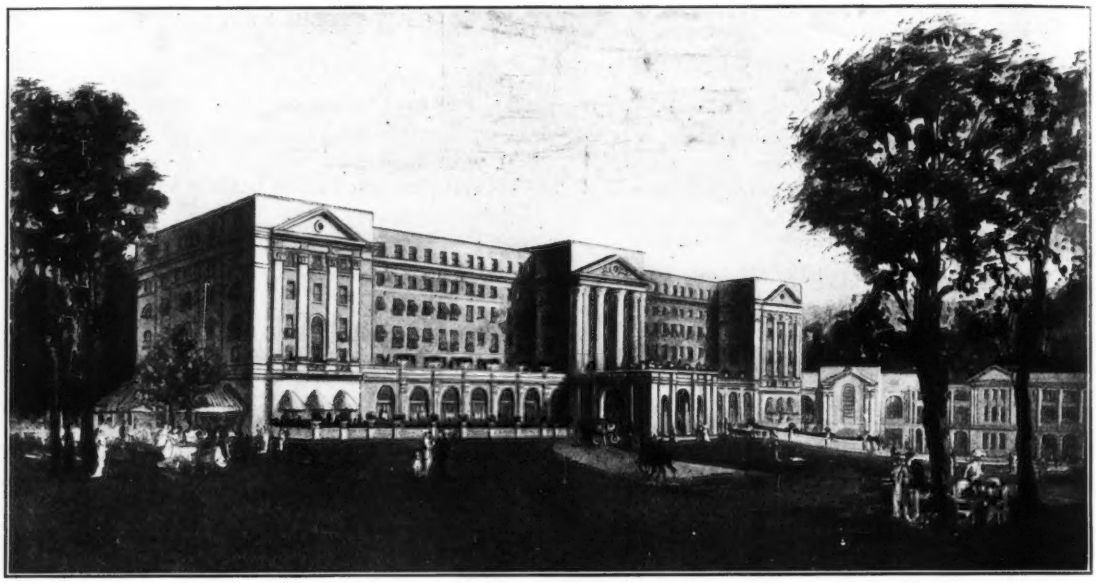
Robert F. Maddox, president Atlanta National Bank, Atlanta, Ga.
Lewis E. Pierson, chairman of board, Irving National Bank, New York, N. Y.
Charles H. Sabin, president Guaranty Trust Company, New York, N. Y.
John McHugh, vice-president Mechanics & Metals National Bank, New York, N. Y.
Fred I. Kent, vice-president Bankers Trust Company, New York, N. Y.
Daniel G. Wing, president First National Bank, Boston, Mass.
Arthur Reynolds, vice-president Continental & Commercial National Bank, Chicago, Ill.
William A. Law, president First National Bank, Philadelphia, Pa.
F. O. Watts, president Third National Bank, St. Louis, Mo.
Charles A. Hinsch, president Fifth-Third National Bank, Cincinnati, Ohio.
Thos. B. McAdams, vice-president Merchants National Bank, Richmond, Va.
John E. Bouden, Jr., president Whitney-Central National Bank, New Orleans, La.
James J. Fagan, vice-president Crocker National Bank, San Francisco, Cal.
Robert N. Harper, president District National Bank, Washington, D. C.
John L. Hamilton, president American Guaranty Company, Columbus, Ohio.

Agricultural Conference to be Held in Washington

Joseph Hirsch, chairman of the Agricultural Commission of the American Bankers Association, announces that there will be a conference in Washington, D. C., February 24 and 25 between the Agricultural Commission and the agricultural committees of all the state bankers' associations, in which officials of the United States Department of Agriculture will participate. The date named is tentative, but the conference will undoubtedly be held the latter part of February.

Chairman Hirsch urgently requests the attendance of the president, secretary, and chairman of the agricultural committee of every state bankers' association. The plan of holding the meeting in Washington has been heartily approved by Secretary David F. Houston, as it will provide an opportunity for the bankers' agricultural committees to acquaint themselves with the plans of the Agricultural Department, as these will be carefully presented by Mr. Houston. The latter also expresses the opinion that the department officials will benefit by a more intimate personal contact with the bankers, while, on the other hand, the various agricultural committees will receive the stimulus of direct personal acquaintance with the Secretary of Agriculture and other department officials, and first-hand knowledge of their plans for 1919. The conference will undoubtedly be the most important meeting ever held by the agricultural committees, and may be the forerunner of periodical meetings of a similar nature in the future.

Secretary Houston, in commenting on the forth-coming conference, assured Chairman Hirsch of his appreciation of the valuable aid rendered to agriculture by the Agricultural Commission. He also expressed the hope that the bankers of the country would recognize more and more their opportunity to contribute to agricultural prosperity by co-operation and generous accommodation.



The Greenbrier, White Sulphur Springs, W. Va.

Spring Meeting of Executive Council

The Spring Meeting of the Executive Council of the American Bankers Association will be held at The Greenbrier, White Sulphur Springs, W. Va., May 19, 20, 21, 1919. The program will be carried out practically as in the past with committee meetings on Monday, May 19, Executive Council meetings on Tuesday and Wednesday, May 20 and 21.

There are two hotels available for this meeting, both under the same management—The Greenbrier and The White. They are connected by covered corridors. Also adjacent to these hotels is the famous bath house of White Sulphur Springs. A special contract has been made for this meeting and the official family will be accommodated on the American plan at a special rate. This rate will also apply to those who may desire to go in advance of the meeting or remain over after the sessions. This will give those who so desire an opportunity to enjoy the finest golf courses in the country, consisting of an eighteen-hole course and a nine-hole course. These, with a convenient club house or casino and fine tennis courts, are within a short distance of the hotels. There are fine drives throughout this country with the best of saddle horses available for those who desire saddle exercise.

As White Sulphur Springs is isolated from business or any large cities, the time given over to meetings of the Association's Council and committees will in no way be interfered with by outside attractions. The surrounding country is picturesque and beautiful and the grounds adjoining the hotels are large and attractive, and at the time selected the weather should be ideal.

Manager Slocum, who has been resident manager of The Greenbrier since its opening, is fully alive to the importance of this meeting and the character of the guests, and he will do everything in his power to make the stay an agreeable and pleasant one at a strictly first-class hotel.

The Executive Council, at its meeting in Chicago, gave the Administrative Committee full authority and power to decide on time and place for holding the Spring Meeting and the Administrative Committee at its recent meeting considered the selection from various locations, and finally decided that if satisfactory arrangements could be made the next Spring Meeting of the Executive Council would go to White Sulphur Springs, W. Va. The matter was then left to General Secretary Farnsworth to visit the resort and arrange details. Every requirement was met by Manager Slocum, with the result that the selection was made of The Greenbrier, White Sulphur Springs, W. Va., and the dates of May 19, 20 and 21, 1919. There is any amount of available space suitable for meetings of the Council and various committees of the Association.

LEGAL DEPARTMENT

THOMAS B. PATON, GENERAL COUNSEL

State Legislation for 1919

IN another part of the JOURNAL is published in full the Program of State Legislation for 1919 recommended by the American Bankers Association, issued under the auspices of the Committee on State Legislation. Seventeen subjects of legislation are recommended. In addition to the uniform commercial acts on Negotiable Instruments, Bills of Lading, Warehouse Receipts and Stock Transfers, there are a number of special subjects wherein the underlying purpose of the laws proposed is either to more adequately protect banks against fraud and crime or to safeguard banking transactions by providing more certain rules of procedure or liability. Enabling legislation is also recommended, permitting and establishing uniform conditions under which state chartered institutions may join the Federal reserve system.

In the promotion of this legislation the American Bankers Association will be represented in each state by the state member of the State Legislative Council, who will act as chairman of a committee which will include the State Vice-Presidents of the Association and of the Sections. The Committee will co-operate with the officers and members of legislative committees of state bankers associations in furthering such recommended legislation as may be needed in the particular state. Considerable success in past years has attended the efforts of the Association in promoting through state organizations various subjects of recommended legislation and we trust that the year 1919 will establish a new record of results accomplished.

Franking Privilege to Banking Institutions

IN the Senate on December 2 Senator Moses of New Hampshire introduced the following bill:

65TH CONGRESS—3D SESSION

S. 5062

IN THE SENATE OF THE UNITED STATES

DECEMBER 2, 1918

Mr. Moses introduced the following bill; which was read twice and referred to the Committee on Post Offices and Post Roads.

A BILL

To extend the franking privilege to banking institutions in connection with business relating to the collection of instalment payments upon subscriptions to the liberty loan.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the provisions of the fifth and sixth sections of the Act entitled "An Act establishing post routes, and for other purposes," approved March third, eighteen hundred and seventy-seven, for the transmission of official mail matter, be, and they are hereby, extended and made applicable to all communications necessitated to national banking associations, state banks, trust companies, and other banking institutions in connection with the business of collecting instalment payments upon subscriptions to any issue of the liberty loan.

Last July, having received letters from member banks concerning the ruling of Postmaster-General Burleson that banking institutions could no longer use the franking privilege in connection with the handling of Liberty Loan notices, General Counsel wrote the Postmaster-General, stating that the banks felt that a grave injustice was done them in the handling of many hundred subscriptions on the instalment plan, they performing a public duty at great inconvenience and expense to themselves, and asking that the privilege be restored.

General Counsel received a reply from Third Assistant Postmaster-General Rickey to the effect that the sending by a bank of such notices was a private transaction and there were no provisions of law under which banks could send such notices free of postage. Furthermore, that the mails being already burdened with an enormous amount of free matter, the Department felt, viewing the matter from the standpoint of the general public interest, there should be no extension of the free mail privilege.

The bill introduced by Senator Moses December 2 is the first which has been introduced on the subject and it provides for the granting of the privilege which the Postoffice Department has denied for the reasons above given.

Our Committee on Federal Legislation approved the Moses bill. As it stands, however, it is restricted to (1) transactions in connection with the business of collecting instalment payments, (2) any issue of the Liberty Loan; it would not, therefore, (1) grant the franking privilege for the solicitation of subscriptions or in notification of allotments and (2) if the next loan was called a "Victory" and not a "Liberty" loan it would not apply. These points were suggested by Chairman Newcomer and submitted to the members

of the Committee on Federal Legislation and the consensus of opinion of the Committee is that the bill should be amplified to cover the points suggested. General Counsel has suggested that the concluding portion of the present bill be changed to read as follows:

"In connection with the business of *soliciting subscriptions, notification of allotments and* collecting instalment payments upon subscriptions to any issue of the Liberty Loan *or any other loan to the United States growing out of the war with Germany.*"

This matter is being taken up with Senator Moses and the Senate will be urged to pass a bill along the lines suggested.

Newly Suggested Amendments of Federal Reserve Act and Revised Statutes

ON December 17, 1918, Mr. Phelan of Massachusetts, Chairman of the House Committee on Banking and Currency, introduced a new bill to amend Sections 7, 10, 11 and 25 of the Federal Reserve Act and Section 5172, U. S. Revised Statutes. The bill is numbered H. R. 13,421 and, we understand, has the backing of the Governor of the Federal Reserve Board and Secretary of the Treasury Glass.

The subjects of the proposed amendments are as follows:

1. Disposition of net earnings. (Sec. 7, Federal Reserve Act.)
2. Eligibility of ex-members Federal Reserve Board as officials of member banks. (Sec. 10, Federal Reserve Act.)
3. Power of Federal reserve banks to make excess discounts secured by Liberty bonds. (Sec. 11, Federal Reserve Act.)
4. Branches of national banks in cities. (Sec. 25, Federal Reserve Act.)
5. Engraved signatures on national bank notes. (Sec. 5172, Rev. Stat.)

Promptly on the introduction of this bill Mr. Waldo Newcomer, Chairman of our Committee on Federal Legislation, requested a hearing to present the views of our Association upon these proposed amendments. This request was granted, and on December 23 such hearing was had. The subjects of amendment contained in the proposed bill and the suggestions concerning same presented by Chairman Newcomer of the Committee on Federal Legislation are given below:

1. *Disposition of Net Earnings.*

Section 1 of H. R. 13,421 provides:

"That that part of the first paragraph of section seven of the Federal Reserve Act which reads as follows: 'After the aforesaid dividend claims have been fully met, all the net earnings shall be paid to the United States as a franchise tax, except that one-half of such net earnings shall be paid into a surplus fund until it shall amount to forty per centum of the paid-in capital stock of such bank,' be amended to read as follows:

"'After the aforesaid dividend claims have been fully met, all the net earnings shall be paid to the United States as a franchise tax, except that one-half, or, with the approval of the Secretary of the Treasury, the whole, of such net earnings shall be paid into a surplus fund until it shall amount to one hundred per centum of the paid-in capital stock of such bank.'"

Chairman Newcomer approved the plan for increasing the surplus of the Federal reserve banks, even to the extent suggested by a member of the House Committee that it be increased to 100 per cent. of the authorized capital as distinct from the paid-in capital; but contended that in view of the fact that member banks had furnished both the capital and the deposits and had taken all the risks of the capital not showing good earnings, they were now entitled to share in the prosperity and he asked that provisions be inserted by which a bank could carry Federal reserve bank stock on their books at its book value and that, on being liquidated or otherwise withdrawing its capital, could withdraw at book value plus accrued interest; furthermore, that the rate of dividend be increased to maximum of 5 per cent. of the book value. The House Committee discussed the matter very frankly and finally inquired whether the bankers would be satisfied with a dividend of 10 per cent. on the amount paid in. The answer was given that they would be. There seemed to be some difficulty in the minds of the House Committee about permitting an increase in the book value of the stock.

2. *Eligibility of Ex-Members Federal Reserve Board as Officers of Member Banks.*

Section 2 of H. R. 13,421 reads as follows:

"That that part of section ten of the Federal Reserve Act which reads as follows: 'The members of said board, the Secretary of the Treasury, the Assistant Secretaries of the Treasury, and the Comptroller of the Currency, shall be ineligible during the time they are in office and for two years thereafter to hold any office, position, or employment in any member bank,' be amended to read as follows:

"'The Secretary of the Treasury, the Assistant Secretaries of the Treasury and the Comptroller of the Currency shall be ineligible during the time they are in office and for two years thereafter to hold any office, position, or employment in any member bank. The members of the Federal Reserve Board shall be ineligible during the time they are in office to hold any office, position, or employment in any member bank, and for two years thereafter shall be ineligible to hold any such office, position, or employment except with the approval of the Federal Reserve Board, to be evidenced by the affirmative vote of at least five members of said board.'"

This was opposed as personal legislation, but it was explained on behalf of the House Committee that it was not so much to take care of the retiring members of the Federal Reserve Board as it was to get rid of a difficulty with which they were meeting in the requirement that one member of the Federal Reserve Board should be a banker, as it was found that bankers were unwilling to accept the position if they were to be for-

bidden to return to a bank when they left the Board. A suggestion was made that the restriction be worded so that a member of the Federal Reserve Board could not become affiliated with a member bank until the expiration of the time for which he was appointed, namely, ten years. Chairman Newcomer informed the Committee that he saw no objection to this, except that there was a danger spot where a man was appointed merely to fill a brief portion of an unexpired term.

3. *Power to Make Excess Discounts Secured by Liberty Bonds.*

Section 3 of H. R. 13,421 provides:

"That section eleven of the Federal Reserve Act, as amended by the Act of September seventh, nineteen hundred and sixteen, be further amended by striking out the whole of subsection (m) and by substituting therefor a subsection to read as follows:

"'(m) Upon the affirmative vote of not less than five of its members, the Federal Reserve Board shall have power to permit Federal reserve banks to discount for any member bank notes, drafts or bills of exchange bearing the signature or indorsement of any one borrower in excess of the amount permitted by section nine and section thirteen of this act: *Provided, however,* That all such notes, drafts or bills of exchange discounted for any member bank in excess of the amount permitted under such sections shall be secured by not less than a like face amount of bonds of the United States issued since April twenty-fourth, nineteen hundred and seventeen, or certificates of indebtedness of the United States.'"

This section was not opposed by our Committee. While the National Bank Act has been amended so as to permit loans without limit secured by Liberty bonds and Government certificates, no corresponding change was made in the limit to which the Federal reserve banks could rediscount the notes given the member banks; consequently a number of banks have been put in a position of accepting from their customers loans in excess of 10 per cent. of their own capital and surplus and then been obliged to rediscount these with the Federal reserve bank, and the only way in which this could be done was to place the customers' notes in the vault and discount the bank's note with the customers' collateral attached. Section 3 is intended to clear that situation.

4. *Branches of National Banks in Cities.*

Section 4 of H. R. 13,421 is as follows:

"That section twenty-five of the Federal Reserve Act be amended by adding thereto a provision to read as follows:

"'That any national bank located in a city or incorporated town of more than one hundred thousand inhabitants and possessing a capital and surplus of $1,000,000 or more, may, under such rules and regulations as the Federal Reserve Board may prescribe, establish branches, not to exceed ten in number, within the corporate limits of the city or town in which it is located. But no such branch shall be established in any state in which neither state banks nor trust companies may lawfully establish branches, nor shall the number of branches which a member bank may establish exceed the number of branches which the laws of the state in which said bank is situated permit a state bank or trust company to establish within the corporate limits of said city or town."

In view of the fact that the Kansas City convention of the American Bankers Association went on record as opposed to branch banking in any form, a protest was filed against this section of the bill.

5. *Engraved Signatures on National Bank Notes.*

Section 5 of H. R. 13,421 provides:

"That section fifty-one hundred and seventy-two, Revised Statutes of the United States, be amended to read as follows:

"'That in order to furnish suitable notes for circulation the Comptroller of the Currency shall, under the direction of the Secretary of the Treasury, cause plates and dies to be engraved, in the best manner to guard against counterfeiting and fraudulent alterations, and shall have printed therefrom and numbered such quantity of circulating notes in blank, or bearing engraved signatures of officers as herein provided, of the denominations of $1, $2, $5, $10, $20, $50, $100, $500 and $1,000, as may be required to supply the associations entitled to receive the same. Such notes shall express upon their face that they are secured by United States bond deposited with the Treasurer of the United States, by the written or engraved signatures of the Treasurer and Register, and by the imprint of the seal of the Treasury; and shall also express upon their face the promise of the association receiving the same to pay on demand, attested by the written or engraved signatures of the president or vice-president and cashier; and shall bear such devices and such other statements and shall be in such form as the Secretary of the Treasury shall, by regulation, direct.'"

The amendment consists in the insertion of a provision for engraved signatures of officers and is not opposed by our Association. Senate bill No. 3900, introduced by Mr. Owen on February 18, provided a similar amendment, as did H. R. 11,020, which passed the House April 24. Both these bills were approved by our Association, but neither have become law.

At the date of this writing (December 30), H. R. 13,421 has not been reported, although we understand that it is the intention of the House Committee to expedite its passage.

It is further to be noted that on December 26 a companion bill, S. 5236, was introduced in the Senate by Senator Hitchcock and referred to the Senate Committee on Banking and Currency. This bill omits entirely the provision as to branch banks. It provides a different amendment as to the disposition of net earnings. Instead of the provision that one-half or, with the approval of the Secretary of the Treasury, the whole of the net earnings shall be paid into a surplus fund until it shall amount to 100 per cent. of paid-in capital, the Hitchcock bill provides that the whole of the net earnings, including those for 1918, shall be paid into a surplus fund until it shall amount to 100 per cent. of subscribed capital and thereafter 10 per cent. of such net earnings shall be paid into the surplus. Instead of the provision that the members of the Federal Reserve Board shall be ineligible during the time they are in office to hold a position in a member bank and for two years thereafter shall be ineligible except with the approval of five members of the Federal Reserve Board, the Hitchcock bill provides that the members of the Federal Reserve Board shall be ineligible during the time they are in office or during the term for which they were appointed to hold any position in a member bank. The Hitchcock bill further differs from the House bill by providing that the paper to be discounted by Federal reserve banks for member banks in excess of the amount permitted by Sections 9 and 13 shall in no case exceed 20 per cent. of the member bank's capital and surplus.

In other respects, the Hitchcock and the Phelan bills are similar.

Addenda

On December 30 Mr. Phelan introduced H. R. 13,560 which was referred to the House Committee on Banking and Currency. This is the same as H. R. 13,421 with a few changes and probably indicates the amendments agreed to by the Committee. In H. R. 13,560 the provision as to the distribution of net earnings is changed to read:

"After the aforesaid dividend claims have been fully met, the net earnings shall be paid to the United States as a franchise tax, except that the whole of such net earnings shall be paid into a surplus fund until it shall amount to one hundred per centum of the subscribed capital stock of such bank, and that thereafter ten per centum of such net earnings shall be paid into the surplus."

The last sentence of the eligibility amendment is changed to read as follows:

"The appointed members of the Federal Reserve Board shall be ineligible during the time they are in office and for two years thereafter to hold any office, position, or employment in any member bank, except that this restriction shall not apply to a member who has served the full term for which he was appointed."

The excess discount provision has been changed by the elimination of drafts or bills of exchange so as to read:

"(m) Upon the affirmative vote of not less than five of its members, the Federal Reserve Board shall have power to permit Federal reserve banks to discount for any member bank notes of any one borrower in excess of the amount permitted by section nine and section thirteen of this Act: *Provided, however,* That all such notes discounted for any member bank in excess of the amount permitted under such section shall be secured by not less than a like face amount of bonds of the United States issued since April twenty-fourth, nineteen hundred and seventeen, or certificates of indebtedness of the United States."

The remaining portions of H. R. 13,421 are unaltered.

Exemption of Liberty Bonds from State Taxation of Banks

ANNOUNCEMENT was made in the last issue of the JOURNAL of the recent decision of the United States District Court for the Southern District of Iowa in Iowa Loan and Trust Co. *v.* Fairweather, 252 Fed. 605, and also of the decision of the District Court of Hamilton County, Nebraska, in re Assessment First National Bank of Aurora, both holding that Liberty bonds owned in the one case by the trust company and in the other by the national bank were exempt from state taxation and that their value could not be included in determining the value of the stock assessed for taxation. These decisions, being of considerable interest to banks throughout the country, we present below a synopsis of their main features and supplement same with a brief reference to some of the earlier decisions, which constitute landmarks in the judicial history of the subject of state taxation of bank shares in connection with the question of exemption of Government securities from the taxable value of the shares.

Iowa Loan & Trust Co. *v.* Fairweather

The Iowa Loan & Trust Company brought an action in the United States District Court, S. D. Iowa C. D., against Thomas Fairweather and others, claiming that a certain tax was invalid because it was upon Liberty bonds issued under an Act of Congress which specifically provides an exemption of such bonds from taxation. Wade, district judge, denied a motion to dismiss the action. Following is a synopsis of the main features of the opinion.

Without an express exemption, the court said, it is fundamental that it is beyond the power of the state to impose a tax upon Government bonds. The plaintiff charges that during the assessment period in 1918 it owned $466,300 Liberty bonds. Plaintiff made a statement to the assessor showing the amount of its capital, surplus and undivided profits. The assessor and Board of Equalization made the assessment upon the value of the above, including therein the value of the bonds. The defendants justified such inclusion under the contention that the assessment was not an assessment of the property of the bank but an assessment of the value of the shares owned by the stockholders of the bank.

The court pointed out that since Van Allen *v.* Assessors, 3 Wall. 573, numerous states have, under the guise of imposing taxation upon shares of capital stock, actually assessed the value of Government bonds, and in many cases such proceedings have been sustained upon the theory, which is now settled, that the stock of a bank and the property of a bank may be separate subjects of taxation. It said that the Supreme Court of the United States in Home Savings Bank *v.* Des Moines, 205 U. S. 503, had settled the question that an assessment of a tax upon the property of a bank, including Government bonds, is beyond the power of the state. So that the question in this case is narrowed down to the proposition whether or not, under the provisions of the statute of Iowa, the tax nominally levied against the stockholders of the institution, is in truth a tax upon the property held by the bank. This question, the court said, cannot be settled by the mere statement that the tax is upon the stockholders or upon the value of the stock, so it must be determined by the entire provisions of the enactments of the legislature.

The court then considers the statutes of Iowa and the real purpose and effect of such statutes. It points out that through many years, under the statutes of Iowa which provided that taxes should be levied upon

and paid by the banks and not by the individual stockholders, it was the common practice to assess banks upon values which included Government bonds, and such assessments were sustained by the Supreme Court of Iowa. But in Home Savings Bank *v.* Des Moines, *supra*, the Supreme Court of the United States emphatically held that the inclusion of Government bonds in the value of "shares of stock," which under the law were then assessed to the bank was in excess of the power of the state.

In 1911 the Iowa Legislature, evidently with the purpose of avoiding the limitation as to its power and at the same time getting the same results so far as taxing the value of Government bonds was concerned, amended the law by providing that the shares of stock "shall be assessed to the individual stockholders," but the basis of value for taxing purposes was left the same and the act provided that "the property of such corporation shall not be otherwise assessed." Under this amendment the present tax is imposed.

The court holds that under the amendment the bank does, in effect, what was required before the amendment. The assessor's duties are the same and the basis of assessment valuation consists of exactly the same property. The important thing is that the assessor, in fixing the value of the stock for assessment, is required to base it "upon the capital, surplus and undivided earnings" of the bank, exactly the same as under previous legislation, held void in the Home Savings Bank case. There is no substantial change, except in form; the substance remains the same.

The court says it is "not discussing the well-recognized rule that stock in a corporation may be, for taxing purposes, entirely separate and distinct from the property of the corporation. I am not referring to legislation in other states in which the tax upon the stock of a corporation holding Government bonds has been sustained; I am speaking only of the situation under the peculiar laws of Iowa."

In passing, however, the court asserts that the foundation of the holding in the Van Allen case was that Congress had given its consent to the taxation of the value of Government bonds in levying a tax upon the shares owned by the stockholders. "But here we are dealing with a case in which Congress has emphatically stated that these bonds shall not be subject to a tax by the state. There was no specific exemption of the bonds involved by Congress in the Van Allen case."

Returning to the Iowa statutes, the court states that what is taxed is not the thing but the value of the thing. A bond may be worth $100 one year and $50 the next year, and the tax is laid each year upon the value. So when the Iowa statute provides that shares of stock shall be assessed to the individual stockholder and that the value to be assessed shall be measured by the property owned by the bank, the thing assessed is the value of the property of the bank, including these bonds. The basis of the tax is the value of the property of the corporation. This is not a case where the statute requires the assessor to assess the market value of the stock—the specific things which he must use as the basis of value are fixed by the Legislature. The statute requires the bank in making its report to include in its statement "the specific kinds and description thereof (stocks and bonds) exempt from taxation." This might possibly be construed as providing a deduction of this exempt property; but in any event it clearly shows that when the assessor made the assessment he affirmatively took into consideration, as a basis of taxing value, the very bonds which Congress emphatically declares shall not be subject to general taxation by any state. Not only this, but under the statute "the property of such corporation shall not be otherwise assessed." This provision of the statute cannot be sustained except upon the theory that the assessment provided for, nominally against the shareholders, is in truth a tax upon the property of the corporation.

The court points to the provision of the Iowa Constitution that "the property of all corporations for pecuniary profit shall be subject to taxation the same as individuals," and says that only upon construing the assessment in this case as in effect being an assessment of the property of this corporation can the legislation be sustained as constitutional.

The court concludes: "I cannot but feel that a tax upon the value of a share of stock, which share has its value, wholly or partially, because the corporation which issued the stock has purchased and holds bonds of the United States specifically exempted from taxation by the state, is contrary to the letter of the Act of Congress and the spirit which underlies such enactment. Especially is it difficult to reconcile such an assessment with such an exemption where, as under the legislation of Iowa, the assessor consciously and knowingly takes into consideration in fixing such value, the bonds reported by the corporation to be exempt from taxation. My holding in this case is that, under the legislation of Iowa, the tax levied in this case is in effect upon the value of the property of the corporation and in that view it cannot be sustained."

In re Assessment First National Bank of Aurora, Nebraska

This was an appeal of the bank to the District Court of Hamilton County, Nebraska, from the order of the Board of Equalization of Hamilton County, overruling the protest of the bank and sustaining the action of the county assessor in assessing for taxation certain Certificates of Indebtedness, War Stamps and Liberty bonds of the United States. The court sustained the appeal and decreed that the amount of such securities held by the bank and set forth in the statement and schedule of said bank for taxation for the year 1918 "be deducted from the aggregate amount of its listed and scheduled property and assets set forth in such schedule and statement for taxation and the remainder only be assessed and taxed to said bank." The State Board of Equalization have appealed from the judgment of the District Court and the case is now pending in the Supreme Court of Nebraska.

No opinion was filed by the court in this case. But in the brief of E. J. Hainer of Lincoln, Neb., attorney for the bank, the contention is made, and the decision is doubtless based upon the theory, that under the laws of Nebraska the tax in this case was in reality and effect a tax on the property of the bank in which it had invested its capital and surplus funds; consequently the Federal securities owned by the bank were ex-

empted. Upon this theory, however, it is not entirely clear why only the Federal securities should be exempted and not the entire tax on the bank be held invalid on the ground that it is beyond the power of a state to tax a national bank on its property, except as Congress permits, and Congress has merely permitted taxing of the real estate to the bank and taxing of the shares as the property of the shareholders.

Review of Some Earlier Decisions

The principle was early recognized that the state cannot, by any form of taxation, impose any burden upon any part of the national public debt. Weston *v.* Charleston, 2 Pet. 449.

This principle was given statutory expression in 1862: "All stocks, bonds, treasury notes and other obligations of the United States shall be exempt from taxation by or under state or municipal or local authority." Rev. Stat. U. S., Sec. 3701.

Concerning state taxation of national banks, the respective states are wholly without power to levy any tax, either direct or indirect, upon the national banks, their property, assets or franchises, except for permissive legislation by Congress and Section 5219, U. S. Rev. Stat., which permits the shares to be included "in the valuation of the personal property" of the shareholders and permits an assessment of the real estate to the bank is the measure of such power. Owensboro Nat. Bank *v.* Owensboro, 173 U. S. 664.

The right of a state to tax shares of a state bank as the property of its owners or to tax a state bank upon its property exists, of course, independently of any Congressional permission.

In Van Allen *v.* Assessors, 3 Wallace 573, decided in 1866, followed in subsequent cases, the Supreme Court of the United States (three justices dissenting) held that the state possesses the power to authorize the taxation of the shares of national banks in the hands of stockholders whose capital is wholly vested in stocks and bonds of the United States. The dissenting opinion of Chief Justice Chase, with whom concurred Justices Wayne and Swayne, stated that "such taxation is actual, though indirect, taxation of the bonds; and it is matter of doubt whether, under the Constitution, Congress has power, without express reservation in the loan acts, to authorize such taxation and that taxation by the states of shares of national banking associations, without reference to the amount of the capital invested in national securities, is not authorized nor was intended to be authorized by Congress."

The Supreme Court of the United States, in 1906, in Home Savings Bank *v.* City of Des Moines, 205 U. S. 503, reviews previous cases. In that case it was held that the immunity of national securities from state taxation was violated by the tax law of Iowa, which directed that shares of stock of state banks should be assessed to such banks and not to individual stockholders, the substantial effect of which was to require taxation upon the property, not including the franchises of such banks, and to adopt the value of the shares as the measure of the taxable valuation of such property, without permitting any deduction from such valuation on account of bonds of the United States owned by the banks. In that case the court said:

"We must inquire whether the law really imposes a tax upon the shares of stock as the property of their owners or merely adopts the value of those shares as the measure of valuation of the property of the corporation, and by that standard taxes that property itself. The result of this inquiry is of vital importance."

Interpreting the Iowa law, it said: "The substantial effect of the law is to require taxation upon the property, not including the franchise, of the banks, and the value of the shares, ascertained in a manner appropriate to determine the value of the assets, is only the standard or measure by which the taxable valuation of that property is determined."

The court, after making clear that the state cannot by any form of taxation impose a burden upon any part of the national public debt, that a tax upon the property of a bank in which United States securities are included is beyond the power of the state and within the prohibition of statutory law, and that a tax upon the capital of a state bank, so far as invested in national securities, is beyond the power of the state, comes to a consideration of the line of cases which relate to the right of the state to tax at their full value shares of stock as the property of the shareholders. Upon this the court says:

"Although the states may not, in any form, levy a tax upon United States securities, they may tax, as the property of their owners, the shares of banks and other corporations whose assets consist in whole or in part of such securities, and in valuing the shares for the purposes of taxation it is not necessary to deduct the value of the national securities held by the corporation whose shares are taxed. The right to tax the shares of national banks arises by congressional authority, but the right to tax shares of state banks exists independently of any such authority, for the state requires no leave to tax the holdings in its own corporations. The right of such taxation rests upon the theory that shares in corporations are property entirely distinct and independent from the property of the corporation. The tax on an individual in respect to his shares in a corporation is not regarded as a tax upon the corporation itself." Continuing, it says:

"The Van Allen case has settled the law that a tax upon the owners of shares of stock in corporations, in respect of that stock, is not a tax upon United States securities which the corporations own. Accordingly, such taxes have been sustained by this court, whether levied upon the shares of national banks by virtue of the congressional permission, or upon shares of state corporations by virtue of the power inherent in the state to tax the shares of such corporation. The tax assessed to shareholders may be required by law to be paid in the first instance by the corporations themselves, as the debt and in behalf of the shareholder, leaving to the corporation the right to reimbursement for the tax paid from their shareholders, either under some express statutory authority for their rceovery or under the general principle of law that one who pays the debt of another, at his request, can recover the amount from him. First Nat. Bank *v.* Kentucky, 9 Wall. 353, 19 L. ed. 701; Lionberger *v.* Rouse, 9 Wall. 468, 19 L. ed. 721; First Nat. Bank *v.* Chehalis County, 166 U. S. 440, 41 L. ed. 1069, 17 Sup. Ct. Rep. 629;

Merchants' & M. Nat. Bank *v.* Pennsylvania, 167 U. S. 461, 42 L. ed. 236, 17 Sup. Ct. Rep. 829; Cleveland Trust Co. *v.* Lander, 184 U. S. 111, 46 L. ed. 456, 22 Sup. Ct. Rep. 394. The theory sustaining these cases is that the tax was not upon the corporations' holdings of bonds, but on the shareholders' holdings of stock; and an examination of them shows that in every case the tax was assessed upon the property of the shareholders and not upon the property of the corporation There is nothing in them which justifies the tax under consideration here, levied, as has been shown, on the corporate property. Without further review of the authorities it is safe to say that the distinction established in the Van Allen case has always been observed by this court, and that, although taxes by states have been permitted which might indirectly affect United States securities, they have never been permitted in any case except where the taxation has been levied upon property which is entirely distinct and independent from these securities. On the other hand, whenever, as in these cases, the tax has been upon the property of the corporation, so far as that property has consisted of such securities, it has been held void."

The Supreme Court, in the Home Savings Bank case, concludes its opinion by saying: "We regret that we are constrained to differ with the supreme court of the state on a question relating to its law. But holding the opinion that the law directly taxes national securities, our duty is clear. If by the simple device of adopting the value of corporation shares as the measure of the taxation of the property of the corporation, that property loses the immunities which the supreme law gives to it, then national securities may easily be taxed whenever they are owned by a corporation, and the national credit has no defense against a serious wound."

Summary

The Supreme Court of the United States in the Home Savings Bank case has pointed out very clearly the distinction between a tax upon bank shares as the property of the shareholders, in which case the tax has been held valid, although included in their value is the value of exempt Government securities, and a tax upon the property of the bank itself, which is invalid so far as that property has consisted of exempt securities.

The recent decisions of the Federal court in Iowa and of the district court of Hamilton County, Nebraska, go upon the theory that, although the tax is nominally upon the shares as the property of the shareholders, it is in reality a tax upon the property of the bank, and therefore invalid so far as it includes in such value exempt Government securities.

Opinions of the General Counsel

STOPPAGE OF PAYMENT OF CERTIFIED AND CASHIERS' CHECKS

Certified and cashiers' checks, being used in place of money, the courts refuse, as a general proposition, to permit the issuing bank to refuse payment and defend against the holder, even though he has procured the check from the bank's customer by fraud—In New Jersey, however, it has been held—contrary to decisions elsewhere—that where a check has been certified for the drawer before delivery by him (as distinguished from certification for the holder after delivery by the drawer) the certifying bank can plead fraud of the holder upon the drawer in defense of payment.

From Missouri—We want your advice on a matter: A customer of ours purchased a cashier's check for $600. In a few days we received a wire from him to hold up payment until further notice. The check was presented and seemed to have his real indorsement, but we did not know but that he had indorsed it, then lost it or had it stolen from him. This being the case, we protested it, though we had doubt as to being legally justified. We have heard nothing more from our customer, but we get word from a party that seemed to be making a trade with him that our customer became dissatisfied with the deal and asked us to stop payment. The other party threatens action against us and we would like your advice on the matter.

Before replying to your specific inquiry, brief consideration will be given to the subject of stoppage of payment of certified checks, which are analogous to cashiers' checks, both being direct obligations of the bank to the payee or holder.

Prior to certification or acceptance by the bank, the drawer of a check has the right to stop its payment; but once the check is certified, the bank becomes primarily liable to the holder and the drawer's right to revoke the order ceases. Nevertheless, where the drawer has been defrauded by the payee, the bank will sometimes, without being under strict legal obligation so to do, comply with the drawer's request and refuse payment, looking to the drawer for reimbursement for any damage sustained.

The courts, however, discountenance and refuse to permit the impairment of a bank's obligation upon its certified check because of any indirect equity of the drawer. Thus, in Carnegie Trust Co. *v.* First National Bank, 107 N. E. (N. Y.) 693, where, after certification for the payee, the bank refused payment at request of the drawer to enable the latter to offset a claim against the payee, which would otherwise be lost because of the latter's insolvency, the New York Court of Appeals holding the certifying bank liable to the payee, said: "We find no authority for the proposition that a bank may resist the enforcement of its contract of certification in order to make a set-off available to its depositor * * * The drawer cannot accomplish the result indirectly by inducing the bank to repudiate the acceptance. Any other conclusion would be destructive of the value and efficiency of certified checks. By long usage such checks are treated for most purposes as the equivalent of cash. It would be an unfortunate rule that would impair their ready acceptance in the transactions of commerce."

Even where the drawer has been defrauded by the

payee who has procured certification of the check, the courts hold that the bank is under obligation to pay the check to the fraudulent payee and cannot plead his fraud upon the drawer in defense. Thus, in Times Square Automobile Co. *v.* Rutherford National Bank, 73 Atl. (N. J.) 479, where a bank, after certifying a check for the payee, stopped payment at the drawer's request on claim of fraud in the sale of an automobile, the Court of Errors and Appeals in New Jersey held the bank liable at suit of the payee, holding the transaction of certification was the same as if the bank had actually paid out the money to the payee and the latter had redeposited it to his own credit and received a certificate of deposit therefor. Having accepted the payee's money and given him an obligation therefor, its contract required it to pay the amount to the depositor, and it could not avoid its obligation by showing that the payee had fraudulently obtained the money which it had deposited. Here it is seen, the certified check was deemed the equivalent of money and the bank could not avoid its obligation by pleading an indirect equity of its customer who had originally issued the check.

Likewise, in Blake *v.* Hamilton Dime Savings Bank Co., 87 N. E. (Ohio) 73, where the payee of a check procured its certification and delivered it to a man who defrauded him in a horse trade. The Supreme Court of Ohio held that the certifying bank which stopped payment, at the request of the payee, must make good its certified check to the holder. The decision went on the theory that the delivery of the certified check was equivalent to the delivery of money and that the defrauded payee could not, thereafter, acquire any interest in the money or impose any liability on the certifying bank by merely notifying it that the indorsee had obtained the money from him by defrauding him in a horse trade.

In the Times Square Automobile case above cited, the court distinguished the case where the holder of a check, after delivery by the drawer, procures it to be certified—in which case under the Negotiable Instruments Act the drawer is discharged—from the case where the drawer procures certification of his check before delivery to the fraudulent payee. Concerning the later case, the New Jersey court said: "The certification under such circumstances does not operate to discharge the drawer, and so long as the drawer remains undischarged such a defense as that set up in the present case (fraud of the payee) is open both to him and to the bank." This view is different from that taken in the Blake case wherein the Supreme Court of Ohio said: "In this case the payee, Blake, procured the certification of the check after delivery to him and before delivery by him to Werbel (the fraudulent indorsee), thereby discharging the drawers and making himself as well as the bank liable on the check * * * Now while it is true that Blake was liable on the check still, if certified checks are to circulate as money * * * then the obligation of the Franklin Bank (the certifying bank) to pay the check was not affected by notice to it by Blake not to pay and the right of the Hamilton Bank (the collecting agent of the fraudulent indorsee) to enforce payment was not affected by notice of Blake's claim."

Under this last-stated theory, whether the check is certified for the holder or for the drawer, in either case, the certifying bank is obliged to pay its obligation to even a fraudulent holder thereof, equally as if so much money had been delivered to him in the first place. It cannot invoke in defense of payment any equity of its customer, the drawer. On the other hand, the theory of the New Jersey court is that when the check is certified for the drawer, he remains liable thereon, as well as the certifying bank, and the fraud of the holder upon the drawer, which would enable the latter to avoid liability upon the check, is equally available as a defense to the certifying bank.

So far as the authorities have developed the law, therefore, where a bank certifies a check for the holder and thereby discharges the drawer, it must pay the check to such holder, equally as if it had paid him the money in the first instance, and the fact that the holder has acquired the check through fraud perpetrated upon the drawer is not available in defense of the bank's obligation. Where, however, the drawer procures certification of his own check before delivery to the fraudulent payee, the judicial opinion is divided, one theory being that equally here the transaction is the same as if so much money had been delivered and the fact of the holder's fraud is not available as a defense to the certifying bank; the other theory being that in such case the certifying bank, equally with the drawer, can plead the holder's fraud in defense.

Coming now to the case of cashiers' checks, issued by the bank, payable to its customer and indorsed and delivered by him to a third person, equally here the check is an obligation of the bank, used by the payee in place of money, and while the courts do not appear to have been called upon, as in case of certified checks, to pass judgment upon the right of the bank to defend payment because of fraud by the holder upon the payee-customer who has delivered the check, it would seem the same reasons underlying the rules as to certified checks would apply.

Departing for a moment from consideration of these particular kinds of instruments and looking at the rules of law governing promissory notes, we find the general rule to be established by a reasonable number of authorities that it is no defense to an action by the indorsee of a negotiable promissory note against the maker that the payee was induced by fraud to transfer the note to the indorsee. In a recent case in Oklahoma, Gamel *v.* Hynds, 125 Pac. 1115, the authorities on this proposition are cited. The Supreme Court of Oklahoma said: "The defendants (makers) had no right to defend the action upon the ground that the assignment of the notes from Breckenridge (payee) to Gamel (indorsee) had been procured by fraud. The maker of a promissory note cannot, in an action brought against him by the indorsee or transferee thereof, litigate questions that can properly arise only between the holder and his immediate indorser * * * The assignor or indorser on negotiable instruments must protect his own interest, where he has been induced to assign or indorse through fraud; and the maker cannot defend or set up matters of defense which only exist between the indorser and indorsee. Breckenridge (payee) would have the right to protect himself by proper proceedings, if he was defrauded into transferring the note."

The above propositions are supported by numerous authorities from different states. But seemingly to the contrary of this is the decision of the Supreme Court of New York in First National Bank *v.* Buffalo Brewing Co., 154 N. Y. Sup. 765—the decision, however, being by the court at special term and not on appeal—that the maker of a negotiable instrument, when sued by a transferee thereof, may show in defense the transferee's bad faith in acquiring the instrument. In rendering this decision the court said:

"It is, of course, the law of this state that where the transfer of a negotiable instrument is valid, and the plaintiff holds the legal right to the demand, a defendant has no legal interest to inquire further, as a payment to or recovery by a plaintiff occupying this position, would protect the defendant against any other claim on the instrument that might be made by any party; and in such a case the considerations and conditions upon which it was given are of no materiality, as bearing upon the plaintiff's right to maintain the action. Nothing short of *mala fides* or notice thereof will enable a maker of a negotiable instrument to defeat an action brought by an apparently regular holder, especially where there is no defense as to the indebtedness. But a maker may surely show such *mala fides*, or that the plaintiff has not a legal title sufficient to enable it to bring an action on the instrument."

From the above judicial views expressed in legal decisions, it would seem:

1. Where the maker of a note for valuable consideration is sued by the indorsee of the payee who has legal title, the general rule is that he cannot plead in defense, equities of the payee against the indorsee, such as failure or inadequacy of consideration, or even that the indorsee has procured the note from the maker by fraud. These are matters in which the maker is not directly concerned and as to which the payee must protect himself, if at all, by proper legal proceedings taken in his own behalf. In case of fraud, however, not all courts so hold, a New York court, as shown above, holding that where the transferee has procured the note by fraud, the maker can plead fraud upon the payee in defense.

2. In the case of certified checks, which are regarded by the courts as equivalent of money, the rule is likewise held that the certifying bank, which stands in the position of maker or primary debtor, cannot defend because of an equity of the drawer against the transferee, whether it be failure of consideration, set-off or even where the holder has procured the check from the drawer through fraud. In all such cases, the certifying bank must make good its promise to pay to the holder and the drawer, whose status is analogous to the payee of an ordinary promissory note, must protect himself, if he can, by legal proceedings taken on his own account. Here, again, however, is an exception to this general rule declared by a New Jersey court where the drawer has procured his own check to be certified, in which case, differing from the Ohio court, it is held the certifying bank can plead fraud of the holder in acquiring the check from the drawer in defense.

3. Concerning cashiers' checks, while no specific cases can be found, the same general rules would doubtless be held by the courts to apply. The cashier's check is an obligation of the bank, used by the holder in place of money, and after it has been delivered by the payee to an indorsee who has the legal title, the latter would have a right of action thereon against the issuing bank free from any ordinary equity of the payee such as failure of consideration, or even fraud; except that some courts would probably hold that fraud of the indorsee upon the payee would be available as a defense to the issuing bank.

In the light of the above discussion and specifically replying to the inquiry submitted, your customer purchased your cashier's check payable to his order and afterwards at his request by wire, but without his giving any specific reason, you refused payment and protested the check. Later, you learned that your customer had delivered the check in some trade and, becoming dissatisfied, wired you to stop payment, and you are now threatened with suit by the holder to enforce payment of the check. Under the authorities above cited, you are the primary debtor upon this check and liable thereon to the holder who has legal title by indorsement. You cannot plead in defense the fact that your customer became dissatisfied or did not receive full value for the check. Even should the fact develop that the holder of this check procured it from your customer, the payee, through fraud, the authorities, as shown above, are divided whether fraud upon the payee is available as a defense to the maker. It is possible that the Missouri courts might so hold. But, according to the trend of decisions relative to certified checks and, by analogy, applicable to cashiers' checks, such instruments being used as equivalent of money it is against sound commercial policy that their efficiency be impaired by defenses of this kind and the chances are it would be held, even fraud of the indorsee upon the payee, is not available to you as a defense and that your customer, if he desires redress, must take legal proceedings in his own behalf. Assuming this check was procured by fraud, the courts would probably be open to a proper proceeding by your customer against the holder to recover possession of the check, and the issuance of a restraining order against its payment pending the determination of the controversy.

RIGHTS OF PURCHASER OF STOPPED CHECK

A bank which in good faith purchases a check from the payee without notice of any defense thereto is a holder in due course and can hold the drawer liable for the full amount thereof, free from his defense against the payee.

From California—John Doe, who keeps a good account with our bank and whose moral integrity we do not question, gives a check of $50 to a stranger in payment of an automobile appliance. This check is not drawn on our bank, but on another bank in which he has an account. The stranger presents the check at our bank for payment, and on the strength of Mr. Doe's moral standing in this community we honor the check, as we know him to be quite good for the amount. The check is returned from the bank on which it is drawn "Payment stopped," as Mr. Doe finds the appliance unsatisfactory. We have explained the situation to him, stating that we cashed the check knowing him to be morally responsible, and that we were the innocent third party. Will you kindly advise as to who should bear this loss. We are unable to collect from Mr. Doe, who states that we are at fault; and we cannot locate the stranger who cashed the check.

Your bank having purchased in good faith for value without notice of any defense the check of John Doe

for $50 is a holder in due course under the Negotiable Instruments Act of California. The rights of a holder in due course are thus defined by that Act:

"A holder in due course holds the instrument free from any defect of title of prior parties, and free from defenses available to prior parties among themselves, and may enforce payment of the instrument for the full amount thereof against all parties liable thereon." (Civ. Code Cal., Sec. 3138.)

The fact that John Doe stopped payment does not defeat your rights. When he issued this check he placed it in the power of the payee to negotiate it to a holder in due course, and the check having been so negotiated, John Doe is clearly liable to you for the full amount thereof. As stated in Section 3138 you hold the check free from his defense against the payee.

PAYMENT OF CHECK WHERE WORDS AND FIGURES DIFFER

Where a check is drawn for $12, *so stated in writing in the body of the instrument, and the marginal figures are stated* "$16.50," $12 *is the sum payable.*

From Indiana—We have a customer who made a check on our bank which called for $16.50 in the figures at the side of check, but in the body of the check called for $12. Our teller in cashing check paid out $16.50 in accordance with the figures on the check. The customer now claims that we should have paid only $12, which was the amount stated in the body of the check and is insisting that we refund the difference and is even threatening to sue us for the difference unless we voluntarily refund the amount. Please advise us what is the law and decisions in regard to a matter of this kind, and also advise whether you think we would win in a suit if the party should sue us in accordance with his threat.

The sum payable on this check was $12 and your bank is clearly liable to your customer for the difference. The bank has a right of recourse upon the holder who received the money for the amount overpaid.

Section 17 of the Negotiable Instruments Act (Indiana Section 9089q) provides in part:

"Where the sum payable is expressed in words and also in figures and there is a discrepancy between the two, the sum denoted by the words is the sum payable; but if the words are ambiguous or uncertain, reference may be had to the figures to fix the amount."

The Supreme Court of Indiana in National Bank of Rockville *v.* Second National Bank of Lafayette, 69 Ind. 479, said:

"The amount stated in figures, usually at the bottom or top of the left-hand margin, does not control the amount of the check, especially when contradicted by the words in the body of the check. These marginal figures are merely for convenience of reference, and constitute no necessary part of the check. They may be there, or they may not; it is the same thing. The instrument is perfect without them."

EXAMINATION OF NATIONAL BANK BY INTERNAL REVENUE OFFICER

According to the decision of a Federal district court in Pennsylvania (contrary to the decision of another Federal district court), a national bank officer has no right to refuse permission to an internal revenue officer or agent acting under Section 3177, *Rev. Stat., to examine the notes in its possession to see if properly stamped, and the bank is not exempted because of Section* 5241, *Rev. Stat., limiting visitorial powers to the Comptroller and the courts—but only an officer or agent authorized by the statute has such power of examination, which cannot be delegated to a clerk or other person—Section* 21, *Federal Reserve Act, amplifying Section* 5241, *considered.*

From New Jersey—Under Section 21 of Federal Reserve Act, I understand that banks are not subject to visitorial powers except by Comptroller of Currency or Federal reserve bank. Am I right? The Collector of Internal Revenue of this district sent a man here to examine our notes to see if they were properly stamped, and I refused to allow him to do so.

The Revised Statutes of the United States, Section 3177, authorizes internal revenue officers to enter premises where taxable articles are kept for the purpose of examining said articles and provides a penalty of $500 upon any person having the agency or superintendence of the articles who refuses to permit such examination. Notwithstanding the provisions of Section 5241 of the Revised Statutes that no national bank "shall be subject to any visitorial powers other than such as are authorized by this title or are vested in the courts of justice," it has been held by one Federal court, though denied by another, that national banks are not exempt from examination by the internal revenue officers under Section 3177 of the Revised Statutes, provided the specific officers authorized by the statute make the examination. The power, however, cannot be delegated by such officers to clerks or others. Officers authorized to make such examination under Revised Statutes 3177 are collectors, deputy collectors or inspectors, who are termed internal revenue officers. By Revised Statutes 3152 internal revenue agents, employed by the Commissioner of Internal Revenue, are also given all the powers of entry and examination conferred upon any officer of internal revenue by Section 3177. If, therefore, the man sent by the collector to examine your notes to see if they were properly stamped was an internal revenue officer or an internal revenue agent, it is very doubtful if you had the right to refuse him permission; but if he was some man simply delegated by the collector, not an internal revenue officer or internal revenue agent, you were safe in refusing to allow him to make the examination.

The decision upon which I base the above opinion is United States *v.* Rhawn, Federal Cases No. 16,150; also published in 22 Internal Revenue Record, page 235. This was an action in the United States District Court in the Eastern District of Pennsylvania by the United States against the president of a national bank in that city to recover $500 penalty. I quote entire the charge by Cadwalader, J., to the jury which acquitted the defendant not because an internal revenue officer had no power to make the examination, but because the power could not be delegated to a clerk. Cadwalader, J., said:

"Section 3177 of Revised Statutes of the United States enacts, that any collector, deputy collector, or inspector, may enter in the day time, any building or place where any articles or objects subject to tax are * * * kept within his district, so far as it may be necessary for the purpose of examining said article

or articles, and that any owner or person having the agency or superintendence of such building or place, who refuses to suffer such officer to examine such article or articles, shall for every such refusal forfeit $500. Section 3163 enacts that every supervisor, under the direction of the commissioner, shall see that all laws and regulations relating to the collection of internal taxes, are faithfully executed and complied with, etc.

"The present suit is to recover $500, a penalty alleged to have been incurred by the defendant, who is president of a national bank, by refusing to suffer a person who was acting under the direction of Mr. Tutton, the Supervisor of Internal Revenue, to examine such checks of customers of the bank as were kept in it, in order to discover whether any, and which of them, were unstamped, contrary to the provisions of the internal revenue law upon the subject.

"It is alleged that there was an application to the defendant, to suffer such an examination to be made, and that the defendant refused to suffer this to be done.

"The defendant contends that the revenue officer had no right to make the examination requested. The ground of this contention is, that the law under which the national banks are incorporated provides for the occasional examination of their affairs, and for reports of their condition to the Comptroller of the Currency, and enacts, that they shall not be subject to any visitorial powers other than are authorized by the act, or are vested in the courts of justice.

"These banks are fiscal agents of the Government of the United States, and it would be most extraordinary that Congress should have exempted their customers from a necessary and proper scrutiny under the revenue laws in a matter which has no legitimate connection whatever with the affairs of the banks. As to the position thus taken by the defense, I am of the opinion that it is wholly unreasonable and unfounded in law. If you believe the testimony of Mr. Tutton, he told the defendant that there was no desire or intention to examine into the affairs of the bank, or the accounts of its customers, and stated that the sole purpose was to ascertain whether checks in its keeping were unstamped.

"If unstamped, they were subject to tax under the revenue law.

"The visitorial powers over a corporation are the subject of a distinct head under the law of corporations. The examination of such checks under the revenue law is not the exercise of a visitorial power under the Act of Congress relative to the banks. This part of the defense, therefore, fails in law.

"It appears, however, that the person who asked to make the examination in this case was a clerk to the supervisor. Such a person is not an officer within the meaning of the law. The words of Section 3177 are, 'any collector, deputy collector or inspector'; and a clerk to the supervisor is not included in this description.

"If the supervisor was himself authorized to make such an examination, he could not delegate this power to his clerk.

"Your verdict should, therefore, for this reason be for the defendant."

Since the above decision the office of Supervisor of Internal Revenue, mentioned therein, has been abolished and his powers and duties transferred to the Internal Revenue Commissioner, collectors and internal revenue agents and Section 3163, Revised Statutes, has been amended accordingly.

The decision in United States *v.* Rhawn was rendered in 1876, and I can find no subsequent decision upon the precise question of exemption of a national bank from the examination provided by Section R. S. 3177 since that time. It should be noted, however, that in the previous year 1875 the District Court W. D. Penn. in United States *v.* Parkhill, Federal Cases No. 15,994, held to the contrary that visitorial powers are not conferred upon the internal revenue officers under Rev. Stat. Sec. 3177. I quote the report of this case entire as it is reported in the Federal cases:

"In this case the defendant (the cashier of the Monongahela National Bank of Brownsville, Pennsylvania), refused to allow a deputy collector of internal revenue to examine the bank's checks. On the trial the district judge directed the jury to find a verdict *pro forma* for the plaintiff, subject to the opinion of the court upon the question of law whether, under the acts of Congress, visitorial powers over national banks are conferred upon internal revenue officers.

"Upon the argument on the point reserved, Mr. Reed, for plaintiff, contented that such powers were vested in revenue officers by Rev. St., Section 3177, and that *Id.*, Section 5241, did not exclude them therefrom.

"Mr. Sweitzer, for defendant, argued these two propositions: (1) That Section 37 of the Act of June 30, 1864 (Rev. St., Section 3177 [13 Stat. 238]), did not, in terms or by fair implication, extend to or include national banks; (2) that national banks are protected by positive statute against any other visitorial powers than such as are authorized by the national bank act, and such as are vested in courts of law and chancery.

"Before McKennan, Circuit Judge (sitting as assessor), and McCandless, District Judge.

"The court ordered judgment to be entered for the defendant upon the point reserved."

Notwithstanding this decision in U. S. *v.* Parkhill, I think it probable the decision of Cadwalader, J., in U. S. *v.* Rhawn, *supra,* that the visitorial powers over national banks, as limited by Section 5241, does not exclude examination by an internal revenue officer or agent, specifically authorized by law to examine articles or objects subject to tax, is more likely to be upheld by the courts, and that it would not be safe to refuse such examination to an officer or agent properly authorized by the statute.

Section 3177 was before the Supreme Court of the United States in the case of United States *v.* Mann, 5 Otto 580, in a case where the officer of a state—not a national—bank refused to permit the collector of the district to examine paid checks to see if they were stamped. The information in this case under which it was sought to subject the bank officer to the $500 penalty was demurred to and the demurrer sustained by the Supreme Court because it did not contain an allegation that the paid checks, sought to be examined, were not sufficiently stamped at the time they were

issued. The Supreme Court in upholding the demurrer, said:

"It is clear that the right conferred upon the officer to enter the building or place of business of another in such a case is strictly limited to a building or place of business in which articles or objects subject to taxation are, at the time of the proposed entry and examination, made, produced or kept, and that paid bank checks, unless it is alleged and proved that they were not duly and sufficiently stamped at the time they were made, signed and issued, are not articles or objects subject to taxation within the meaning of the Act of Congress on which the information is founded. Nothing is admitted by the demurrer except what is well pleaded in the information; and, inasmuch as the only charge of the information in that regard is that paid bank checks were then and there kept in the said building or place of business described, the court is of the opinion that the information does not set forth any legal offense against the defendant as defined by the said Act of Congress."

The above decision is instructive upon a question of pleading as to what the Government must allege and prove in order to recover the $500 penalty; but does not help in the solution of the specific question as to the subjection of a national bank to examination by internal revenue officers or agents as provided in Section 3177. While the proposition that national banks are not exempt in such cases rests upon the slender foundation of one decision of a Federal district court, and has been denied in another, still, it seems to me, there is probability the rule holding national banks not exempt would be upheld if the case was again taken to court. It is to be observed in this connection, although not of any binding force, that in the published compilations of the United States Revised Statutes, the foot notes of Section 3177 contain annotations to the effect that national banks are not exempt from the examination, citing as the authority, United States *v.* Rhawn. In some of the compilations, United States *v.* Parkhill is not referred to; in others, it is noted to be consulted in connection with the proposition stated that national banks are not exempt.

In the above discussion the privilege of a national bank of exemption from examination has been considered as based on Section 5241, U. S. Revised Statutes, which was the section in force at the time of the decisions above referred to. But Section 21 of the Federal Reserve Act has amplified and supplanted Section 5241, Revised Statutes. Section 21 provides: "No bank shall be subject to any visitorial powers other than such as are authorized by law, or vested in the courts of justice or such as shall be or shall have been exercised or directed by Congress, or by either House thereof or by any committee of Congress or of either House duly authorized." Under this section there would seem additional ground for holding that an internal revenue officer had the right to examine a bank's notes to see if any were unstamped, in pursuance of Section 3177, Rev. Stat., for it makes the bank subject to visitorial powers where they "are authorized by law" and this would seem to subject the bank to the examination provided by Section 3177.

STAMP TAXES ON PROMISSORY NOTES

All promissory notes, including demand notes, are subject to stamp tax of 2 cents per $100 or fraction thereof, except that promissory notes issued on or after April 6, 1918, secured by United States bonds and obligations issued after April 24, 1917, are exempt from the stamp tax.

From Minnesota—There has been some discussion or misunderstanding among the bankers here, relative to demand notes. Some think they are to bear two-cent revenue stamps per hundred, while others think that a demand note does not require the revenue stamp. Will you kindly inform us who is right?

Under the War Stamp Tax Law, demand notes must bear revenue stamps at the rate of 2 cents per $100 or fraction thereof. The law provides:

"Drafts or checks payable otherwise than at sight or on demand, promissory notes, except bank notes issued for circulation, and for each renewal of the same, for a sum not exceeding $100, 2 cents; and for each additional $100 or fractional part thereof, 2 cents."

The impression that demand notes do not require revenue stamps is probably derived from a circular of the Internal Revenue Commissioner issued to Internal Revenue Collectors, October 19, 1917 (T. D. 2543), concerning the dates that the Act of October 3, 1917, becomes effective as to stamp taxes. In that circular it was said: "You are advised that Title VIII, Schedule A, Act of October 3, 1917, imposing stamp taxes upon bonds of indebtedness * * * drafts, checks and promissory notes otherwise than payable at sight or on demand, conveyances, deeds * * * becomes effective on and after December 1, 1917." In a subsequent letter issued by Deputy Commissioner Fletcher to the Corporation Trust Company under date of November 24, 1917, it was said: "All promissory notes are subject to tax imposed by paragraph 6, Schedule A, October 3, 1917. The language in T. D. 2543 referred to in your letter should have read: 'Drafts or checks payable otherwise than at sight or on demand, promissory notes * * *' and it is apparent that the error appearing in the decision was due to the transposition of words."

It is, therefore, clear that under the law all promissory notes are subject to stamp tax and that demand notes are not exempt. No stamps, however, are required on promissory notes secured by pledge of United States securities. In a circular issued April 16, 1918, by the Commissioner of Internal Revenue to Internal Revenue Collectors (T. D. 2701) it is said:

"Section 301 of the War Finance Corporation Act, approved April 5, 1918, provides:

"'That no stamp tax shall be required or imposed upon a promissory note secured by the pledge of bonds or obligations of the United States issued after April twenty-fourth, nineteen hundred and seventeen, or secured by the pledge of a promissory note which itself is secured by the pledge of such bonds or obligations; *Provided*, That in either case the par value of such bonds or obligations shall equal the amount of such note.'

"The section above quoted operates to exempt promissory notes of the character described therein from stamp tax imposed under Title VIII, Schedule A, Sub-division 6, Act of October 3, 1917.

"You are therefore informed that all promissory notes issued and delivered on or after April 6, 1918, and secured by the pledge of any bonds or obligations of the United States issued after April 24, 1917, and all promissory notes issued and delivered on or after April 6, 1918, and secured by the

pledge of a promissory note which itself is secured by the pledge of United States bonds or obligations issued after April 24, 1917, are exempt from said stamp tax. The bonds mentioned herein include Liberty Bonds as well as other United States bonds and printed obligations.

"It should be noted that the above exemption from stamp tax applies only where the par value of said United States bonds or obligations so pledged shall equal the amount of the promissory note."

CHECK TO "JOHN DOE OR BEARER"

A check payable to "John Doe or Bearer" is payable to bearer and does not require the indorsement of John Doe to entitle the bearer to receive payment.

From South Dakota—We enclose herewith a check given by Richard Roe for $100 in favor of John Doe, or bearer. We would like to inquire if, according to the laws of South Dakota, a third party, say Mr. A, could go into the paying bank and force them to pay the face of the check to him as bearer, without the indorsement of John Doe, the payee. We realize that there are probably ways by which they could get around paying it possibly as, for instance, by phoning to the maker of the check and having him stop payment, but the principal point we are after is this: does the bank have to pay it to the bearer without the indorsement of John Doe? Also in so doing, what liability, if any, does the paying bank assume.

A check payable to "John Doe or Bearer" is payable to bearer equally as if the specification of "John Doe" was omitted. Section 9 of the Negotiable Instruments Act provides that "the instrument is payable to bearer * * * when it is payable to a person named therein or bearer." As a consequence Mr. A would be entitled to receive payment of the check in question without the indorsement thereon of "John Doe." He could not, however, force the bank to pay the check to him in case payment was refused because the Negotiable Instruments Act (Section 187, So. Dak. Act) provides: "A check of itself does not operate as an assignment of any part of the funds to the credit of the drawer with the bank and the bank is not liable to the holder unless and until it accepts or certifies the check." If the bank refused to pay this bearer check to the holder Mr. A, it probably would be held liable to the drawer in damages for injuring his credit, but Mr. A would have no right of action on the check against the bank and his recourse would be against the drawer upon his dishonored check. The bank in paying such a check to the bearer without the indorsement of "John Doe" assumes no liability as the check, in legal effect, is payable to bearer.

RIGHTS OF PLEDGEE OF BANK STOCK

Where the owner of a certificate of stock in a Georgia bank pledged the same as security for a loan and the bank refused to issue a new certificate on the ground that another certificate had been issued to the original stockholder without, however, requiring surrender of the original, the pledgee of the stock is entitled to damages against the issuing bank for such refusal, being the amount of his loan and interest unless he has bought the stock in, in which case the measure of damages is the value of the stock at the time of refusal to transfer.

From Georgia—The president of a state bank in Georgia, whom we will call A, used ten shares of stock of one of his banks as collateral for a loan from B. A transferred the stock, placing same with his note, and A afterwards had the bank issue a new certificate in lieu of the stock which he had used as collateral for the loan from B without returning old certificate. When the note matured A had absconded and the original bank stock was tendered to the bank which issued same, requesting them to issue a new certificate to B who held the note, but the bank refused to issue new certificate on the ground that another certificate had been issued in lieu of same to A. What procedure can B take to force the bank to issue him new stock certificate?

As a general proposition, a corporation which issues a certificate of stock in place of an outstanding certificate, without requiring the surrender of the original, does so at its peril. "The corporation has no power or authority to dispose of the stock, or to transfer it, so long as the certificates are not produced and surrendered." Smith *v.* Slaughter House Co., 30 La. Ann. 1378, 1383. "Stock certificates of all kinds have been constructed in a way to invite the confidence of business men, so that they have become the basis of commercial transactions in all the large cities of the country, and are sold in open market the same as other securities. Although neither in form or character negotiable paper, they approximate to it as nearly as practicable. If we assume that the certificates in question are not different from those in general use by corporations, and the assumption is a safe one, it is easy to see why investments of this character are sought after and relied upon. No better form could be adopted to assure the purchaser that he can buy with safety. He is told, under the seal of the corporation, that the shareholder is entitled to so much stock, which can be transferred on the books of the corporation, in person or by attorney, when the certificates are surrendered, but not otherwise. This is a notification to all persons interested to know, that whoever in good faith buys the stock and produces to the corporation the certificates, regularly assigned, with power of transfer, is entitled to have the stock transferred to him. And the notification goes further, for it assures the holder that the corporation will not transfer the stock to any one not in possession of the certificates." First Nat. Bank *v.* Lanier, 11 Wall, 369.

In the case you submit, a certificate of stock in a Georgia bank was pledged as collateral security for a loan, presumably with power of sale and with right of the pledgee to become purchaser. The certificate was personal property and the transfer to the pledgee was valid without book transfer. Section 2219 of the Code of Georgia provides: "Except as against the claims of the corporation, a transfer of stock does not require a transfer on the books of the company." The fact, therefore, that the bank issued a new certificate in lieu of the original does not protect it from liability on the original. In issuing such new certificate without requiring surrender of the original it took the risk of the original certificate being outstanding in the hands of a bona fide holder.

An instructive case in your state is Bank of Culloden *v.* Bank of Forsyth, 48 S. E. (Ga.) 226. The holder of stock in a bank pledged it as collateral and the pledgee bought the stock in under power of sale. The bank refused a transfer on its books and the issue of a new certificate on the ground that it had a prior

lien on the stock for an indebtedness of the stockholder. The bank had no claim of lien under its charter, but its defense rested solely upon a lien created by its by-laws. The court held that if the face of the scrip had indicated the existence of such lien every purchaser or pledgee would have been put on inquiry. But there was no notice of the lien on the stock certificate and the court held the pledgee was not affected and was entitled to judgment against the issuing bank. I quote from the opinion of the court in this case:

"The same reasons which protect bona fide purchasers against secret liens generally apply with peculiar force to prevent the enforcement of secret incumbrances on corporate shares; for while they are not negotiable in the full sense, yet the custom of business, the necessities of commerce, and the multitude of transactions tend more and more to force the transfer of stock under the rule applicable to the sale of negotiable instruments. Indeed, the Civil Code of 1895, §2825, recognizes that the by-law lien would not be good as against a creditor without notice. It being admitted that the Bank of Forsyth in the present case was an innocent pledgee, on that branch of the case it must prevail, unless, as claimed by the plaintiff in error, the words 'transferable only on the books of the corporation, in person or by attorney, on surrender of the certificate,' charged the pledgee with notice of what could be learned by examining the books, including the by-law, and the amount of the bank's claim against the Allen Merchandise Company. Exactly the contrary was true. The notice instead of operating only as a warning of the company's rules, was also a promise that the bank would not make a transfer to any one who did not produce and surrender the scrip itself. Bank *v.* Lanier, 11 Wall. 378, 20 L. Ed. 172. When, therefore, the pledgee received the certificate it took that which the Bank of Culloden recognized as the main muniment of title. And while, for the purpose of sending notices of meetings, paying dividends, voting, and the like, the transfer on the books was important between the bank and the stockholders, yet, as between the buyer and seller, the title could pass, and the transfer be otherwise completed. Civ. Code, 1895, §1855. In some jurisdictions the title may pass upon the payment of the purchase money and the delivery of the certificate, without any written assignment; in others, by the delivery of the certificate, with an assignment thereof on the same or on a separate paper. Here there was a delivery, an assignment by the very terms of the note secured by the stock, and a power of attorney therein to make sale on default. This was sufficient between the borrower and the lender; and after default and a sale under the power the purchaser was entitled to a transfer on the books and a new certificate. Had the pledgee demanded a transfer before the sale, the measure of damages for a failure to comply would have been his debt and interest. But at the sale it acquired the pledgor's title free from any equity of redemption, and the measure of damages for the refusal to make the transfer was the value of the shares at the time of the refusal. 3 Clark on Private Cor., §§602, 603b, 582."

In your case, as I understand, there is no claim of lien by the issuing bank for an indebtedness of the original stockholder and its sole ground for refusing the transfer is that it had issued a new certificate to him without, however, taking up the original. This, as seen, does not protect it from liability and the case above cited throws light upon the character of relief in the case you submit. Assuming the pledgee of the stock in your case bought the same in before demanding a new certificate, the measure of damages which he would be entitled to would be the value of the stock at the time of refusal to transfer; but if the pledgee demanded a transfer before buying same in, his measure of damages would be the amount of the debt and interest. See, also, Hilton *v.* Sylvania & G. R. Co., 68 S. E. (Ga.) 746.

LOST CERTIFICATE OF NATIONAL BANK STOCK

Where a stockholder of a national bank claims to have lost his certificate and requests a duplicate, the bank is entitled to a bond of indemnity to protect it against liability upon the original certificate.

From Ohio—One of our stockholders claims to have lost his stock certificate and wishes a duplicate issued. Can we refuse to issue duplicate until he gives bond that will protect us and would this be the correct thing to do?

In case of claim of loss of a certificate of stock in a national bank, I think the bank is entitled to require a bond of indemnity before the issue of a duplicate certificate, to protect the bank from a possible liability by reason of the original certificate remaining outstanding. Under the National Bank Act, the shares of a national bank are deemed personal property and transferable on the books in such manner as may be prescribed in the by-laws or articles of association.

The Supreme Court of the United States in Johnson *v.* Laflin, 103 U. S. 800, has said:

"Shares in the capital stock of associations under the National Banking Law are salable and transferable at the will of the owner. They are, in that respect, like other personal property. The statute recognizes this transferability, although it authorizes every association to prescribe the manner of their transfer. Its power, in that respect, however, can only go to the extent of prescribing conditions essential to the protection of the association against fraudulent transfers or such as may be designed to evade the just responsibility of the stockholder. It is to be exercised reasonably. Under the pretense of prescribing the manner of the transfer, the association cannot clog the transfer with useless restrictions or make it dependent upon the consent of the directors or of the stockholders."

As a certificate of stock in a national bank is freely transferable by the owner, it is evident that the bank is entitled to the protection of a bond of indemnity before issuing a duplicate certificate for one claimed to be lost; otherwise it would not be protected against a claim upon the original certificate where the owner had made false claim of loss and in reality had transferred his certificate for value to a bona fide holder.

Trust Company Section

Annual Trust Companies' Banquet

The eighth annual banquet of the trust companies of the United States, under the auspices of the Trust Company Section of the American Bankers Association, will be held on Thursday, February 20, 1919, at the Waldorf-Astoria Hotel, New York City.

The decision to hold the dinner was reached at a meeting of the executive committee of the section held in New York City on December 11, 1918, and arrangements are being perfected to make this one of the most notable events in the history of these annual gatherings.

All trust companies are urged to send representatives to this important meeting, at which time an excellent opportunity is afforded to crystallize old friendships and create new ones.

Tickets of admission to the galleries may be secured by subscribers upon application to the secretary. A cordial invitation is extended to friends affiliated with banks and banking houses to join the trust company men on this evening of social enjoyment, and letters of announcement with subscription blanks are being sent to all trust companies and to those institutions believed to be interested in being represented at this banquet. Important addresses of timely interest will be presented by eminent speakers.

Tables will be arranged for eight and sixteen covers respectively, and subscribers are urged to forward their subscriptions at the earliest possible date, in order that seats as desired may be reserved. As considerable apprehension exists in the minds of subscribers each year regarding the seating arrangements, a simple diagram has been prepared and will be sent to each subscriber in order that he may furnish specific information regarding the location of host and guests. It is believed that this method will obviate the necessity for many telephone calls and letters of inquiry, and further, avoid any confusion in regard to seating arrangements.

All communications should be addressed to the secretary at 5 Nassau Street, New York.

Executive Committee Meets

An important meeting of the executive committee of this section was held in New York City on December 11, 1918, at which time considerable routine business was transacted and the activities of sub-committees considered and discussed.

A committee, not exceeding five members, was created to investigate the railroad situation in its relation to railroad securities held by trust companies on their own account or in various fiduciary capacities. A brief digest of committee reports follows:

The Committee on Legislation (Federal)—Henry M. Campbell, Detroit, Mich., chairman, is actively engaged in consideration of Federal legislation of importance to trust companies and is conducting correspondence with certain members affected by proposed or needed changes in this respect.

The Committee on Protective Laws (State)—Theodore G. Smith, Denver, Colo., chairman, anticipates several months of great activity due to the meeting of forty-three state legislatures, nearly all of which convene early in 1919. As heretofore, the members of the committee will secure the co-operation of the State Vice-Presidents in connection with legislative matters in the different states. It is known that a large number of bills are already prepared for introduction in the several states, and there will no doubt be a considerable number introduced about which the committee is not yet advised. The co-operation of trust companies with the committee, through the State Vice-Presidents, or direct, is urged in order that only wise measures may be enacted into law.

The Committee on Publicity—James M. Pratt, New York, chairman, reported the next bulletin nearly completed for publication. Correspondence has been conducted with members of the section in order to further determine their needs of a publicity and advertising nature and assist in meeting those needs. Requests for help in establishing publicity, advertising and new business departments, and assisting in the development of those departments, are continually being received and met. That the service given is meeting these requests from different parts of the country can best be judged by the many letters of commendation received and testimony given concerning the value of this work.

As it has become more widely realized that the scope of the work of this committee is not confined to the publication of periodic bulletins, but that a continuous service is being performed for members, individually, a greater number of members have been benefited from the assistance which this committee is equipped to render.

Acting under authority given by the section at the Chicago meeting, Chairman Pratt has appointed and received acceptances from the following gentlemen to serve as members of the committee: Fred W. Ellsworth, vice-president Hibernia Bank & Trust Co., New Orleans, La.; E. F. Feickert, president The State Trust Co. at Plainfield, N. J.; A. H. Cooley, assistant treasurer Security Trust Company, Hartford, Conn.

The Committee on Standardization of Forms and Charges—J. A. House, Cleveland, Ohio, chairman, reported that considerable preliminary investigation had been conducted in preparation for the detailed work of the committee, which will extend over a series of several months.

The chairman requested that the committee be enlarged in order that a division of the work could be made and the two subjects included in the committee's activities be developed simultaneously. Authorization was, therefore, granted for an enlargement of the committee in accordance with the needs of the work.

As it is the purpose of the committee to address the members of the section at an early date, the hearty co-operation of all is earnestly requested in order that the arduous task undertaken by this committee may be of the greatest possible value to all members of the section.

The Committee on Co-operation with the Bar—Francis H. Sisson, New York, chairman, reported

having held a meeting in New York City on November 21, at which time several hours were devoted to the consideration of a large amount of data pertaining to the cause, effect and remedy, relative to the situation set forth in the resolution under which the committee was created. At this meeting the preparation of a program of action was completed while letters explaining the work of the committee and designed to secure additional information were decided upon and have since been addressed to a limited number of members. The plans of the committee were approved by the executive committee.

The Committee on Fiduciary Protection for Men in Service—H. C. Robinson, Cleveland, Ohio, chairman, presented a report in which the comprehensive plans of the committee were fully explained. These plans were set forth in part in a bulletin sent to members in October and published in the November issue of the JOURNAL. Following the issuance of the bulletin, meetings were held with various authorities and officers of organizations, with whom it was planned to cooperate. The new developments which occurred in the war situation early in November, culminating in the signing of the armistice, caused the committee to cease its efforts.

The executive committee expressed to Mr. Robinson and his committee, through a suitable resolution, a vote of thanks for the manner in which the work of the committee had been conducted and planned. Had the war continued the important service of this committee would have been fully realized.

To Visit Pacific Coast Trust Companies

In accordance with the plan to develop a form of service to members through personal contact, and in order to make a study of conditions as they affect trust companies, it was decided at the meeting of the executive committee held in New York on December 11 that Secretary Mershon should visit the states of Washington, Oregon and California during March and April.

New State Vice-Presidents

President Platten has appointed additional State Vice-Presidents as follows:

Arizona: N. D. Sanders, assistant secretary and assistant treasurer Phoenix Savings Bank & Trust Co., Phoenix.

Nebraska: George W. Holmes, secretary First Trust Company, Lincoln.

Through an error in advices, the vice-presidency of the section for Maine was omitted from previous lists. At the convention of the Maine Bankers Association, Chas. D. Crosby, president Eastern Trust & Banking Company, Bangor, was elected to this office.

Savings Bank Section

Investment Restrictions for Savings Funds

There are only twenty-six states out of the forty-nine that have restrictive investment laws for savings banks: California, Connecticut, Indiana, Iowa, Maine, Maryland, Minnesota, New Hampshire, New Jersey, New York, Ohio, Oregon, Pennsylvania, Rhode Island, Vermont, Washington and Wisconsin. The others constituting the twenty-six, namely, Illinois, Kansas, Kentucky, Missouri, Nebraska, Tennessee and Texas, have restrictions on investments of savings deposits so provided as to permit purchase of short term liquid securities, such as bankers and trade acceptances, without any amendment of the law. On the other hand, of the first named states, California has a law permitting 5 per cent. of deposits to be invested in bankers' acceptances: Connecticut has a law permitting 2 per cent. deposits to be invested in bank acceptances; Indiana permits investment in bankers and trade acceptances without any limitation. Massachusetts permits 10 per cent. of assets to be invested in bankers' acceptances. Michigan has no limitation. New York has a law that permits investments in bankers' acceptances up to 20 per cent. of deposits. The remainder—Iowa, Maine, Maryland, Minnesota, New Hampshire, New Jersey, Ohio, Oregon, Pennsylvania, Rhode Island, Vermont, Washington and Wisconsin—have still to pass laws in order to permit the savings banks to invest in bankers' acceptances or trade acceptances, indorsed by a bank.

Connecticut should increase the limit permitted to be invested in bank acceptances, and they are urging such to be done. At the present time they are considering amending the law to permit investment in trade acceptances indorsed by a bank; but it is utterly ridiculous to pass a law permitting only 2 per cent. of the deposits to be so invested.

California permits only 5 per cent. of its deposits to be invested in bankers' acceptances and the bankers of that state are desirous of increasing this limit. Ex-President Hawley, before his death, urged an amendment to the Minnesota laws, permitting investment in bankers' acceptances, but I understand nothing has been done since in that state.

Regarding state laws restricting the investment of savings banks, four different classes of such restrictive investment laws might be suggested: "AA," the most restrictive nature; "A," more restrictive; "B," restrictive and "C," loosely restrictive.

"AA" (most restrictive) are so restrictive as to define the securities and so limit investment in them as to permit investment in but very few kinds of securities. California, New York and Washington may be placed in this class.

"A" (more restrictive), while such laws define the character of securities, yet they are not quite as narrow and permit a wider field of investment. Connecticut, Maine, Massachusetts, Maryland, Minnesota, New Hampshire, New Jersey, Rhode Island and Vermont may be so classified.

"B" (restrictive) are those where the laws are simply restrictive in a general way and may be considered to open the doors more widely to a greater field of high-grade investment securities. Indiana, Iowa, Maryland (restrictive investment laws of Maryland apply to all trust funds). Missouri, Nebraska, Ohio, Oregon, Pennsylvania. (There are only eleven savings banks in Pennsylvania and it is their custom to closely restrict investments rather than to follow any particular law in that respect. The law does not particularly define the character of securities permitted for investment.) Texas (there are no savings banks in Texas, but all savings deposits in state commercial banks must be segregated and restrictive investment laws are applied to them) and Wisconsin may be placed in class "B."

"C" (loosely restrictive) are those laws that in a rather loosely drawn way restrict the investment of savings funds. Such laws will virtually permit investment in any kind of sound security. Such states as Illinois, Kansas and Tennessee would go within this class.

Loans on Mortgage Security

There are only three states east of the Mississippi River that permit mutual savings banks to make real estate loans outside the state: New Hampshire, Vermont and Rhode Island.

These three states have approximately $115,000,000 invested in mortgage loans. They are allowed to loan on New Hampshire property 70 per cent. of the value, up to 75 per cent. of their deposits. They are allowed to loan on property situated outside of New Hampshire, but in the United States, 50 per cent. of the property, up to 40 per cent. of deposits.

Vermont permits loans up to 60 per cent. of the value of the property situated in Vermont and 50 per cent. of the value elsewhere. Not more than 80 per cent. of the total assets may be invested in mortgage loans; not more than 60 per cent. outside of Vermont, all of which must be improved or productive property. On Vermont property they loan up to 40 per cent. of the value on unimproved property. They have also a very interesting law that provides a limit of $30,000 to any one person, plus 1 per cent. of deposits of bank in excess of $1,000,000. Vermont has a number of such banks. However, if the board of trustees unanimously approve, such loan might be increased to 1½ per cent. of deposits in excess of $1,000,000.

Rhode Island banks may loan on mortgage securities up to 70 per cent. of deposits; 60 per cent. of value on improved property and 40 per cent. on unimproved property. Loans made on property located outside of Rhode Island may not exceed 30 per cent. of deposits.

There are several interesting features about the mortgage loan market in the East. Connecticut, for example, may loan up to 50 per cent. of value on property situated in Connecticut and certain counties in Massachusetts, Rhode Island and New York. All of the deposits may be invested in such a way.

Maine and Maryland have the same kind of law. So has Massachusetts, except that Massachusetts limits the amount that may be so invested to 70 per cent. of deposits. In all of the three states the property must be situated within the state. However, Maine includes the property situated in New Hampshire.

New Jersey banks may loan up to 80 per cent. of deposits with 50 per cent. of value. New York may loan up to 65 per cent. of deposits with 50 per cent. of value.

It also may be interesting to note that in New York 55.9 per cent. of the assets of savings banks are invested in mortgage loans; 42.5 per cent. in New Jersey; 51.9 per cent. in Massachusetts; 10.7 per cent. in Pennsylvania; 39.3 per cent. in Connecticut; 13.2 per cent. in Maine; 31.2 per cent. in New Hampshire; 73.9 per cent. in Vermont and 14.8 per cent. in Maryland.

The large percentage in Vermont may be attributed to the relatively large amount of loans held by Vermont in the Northwest. Rhode Island has not done very much of that sort of business, yet it has the power to do so.

It may be observed that Pennsylvania banks have only 10.7 per cent. of assets invested in mortgage loans. On the other hand, such banks have 57.6 per cent. of assets invested in railroad bonds and 24.8 per cent. of assets invested in municipal bonds. This is because the state four mills tax applies to mortgage loans. Furthermore, the great number of building and loan associations takes care of the borrowers of small sums, while the borrowers of large sums are provided for by the trust companies. Pennsylvania is essentially a trust company and building and loan association state.

The Need for Continued Savings

There are five principal reasons for every banker to continue to urge people to save, by establishing savings facilities:

1. The natural human tendency is to spend; it requires care and sometimes sacrifice to save or conserve, hence continuous urging of savings cannot be productive of anything but great good.

2. Ownership of a comfortable surplus means greater independence of the individual, thus there will be happiness, contentment and an appreciation of the need for domestic tranquillity in the households of the nation.

3. It would be an effective force in maintaining a satisfied people and thus make barren of results the efforts of bolsheviki influence, which would otherwise end in social disorganization and demoralization.

4. The war will bring in its wake industrial depression and many social problems; a comfortable surplus through saving must stand as a bulwark of strength, during such times, in protecting the family against want and deprivation. The antithesis of surplus is debt. The history of the past has given ample proof of the desirability of thrift during periods of depression which must come within the cycle of human endeavor.

5. The need for capital to finance railroads, cities, public utilities, building operations and other domestic enterprises will be substantial. The ability of the people of small means adequately to supply such capital has been clearly demonstrated by the experience of the great war. There were 53,000,000 subscriptions taken in the four Liberty Loans. An estimate has been made that more than 99 per cent. of these subscriptions were for $50 to $10,000 bonds, and out of the $17,000,-

000,000 of Liberty bonds floated $7,000,000,000 were absorbed by those who subscribed $50 to $10,000, or the people of small means. Thus, we have a test of the savings potentiality of the nation's people of small means.

Seven billion dollars in eighteen months! An amount that was inconceivable before the war. These savings must be continued. They mean too much to the financial fabric of the country. The responsibility of America as a world power will require immense sums of capital funds, and they must come in large degree from the surplus earnings of the people of small means, the actual and potential savings bank depositors.

School Savings Banks

The Committee on "Service to Members" is launching a nation-wide effort to perpetuate war savings societies in schools as school saving societies. Before the war the school savings movement had covered the country, but it was rather scattered. It was difficult to get the support of the banks in numerous places. The attraction of immediate profits overcame provision for future profits through training the child while at school in the practice of thrift and saving. The school war savings society has dispelled such lack of interest on the part of the banker and he is more interested than ever in the development of the habit of saving in the child while at school. It is hoped that when the school savings literature is distributed every banker will be vitally concerned in the establishment and the maintenance of school savings societies.

Committee on Forms

For the purpose of preparing new forms for the operation of savings banks and savings departments, the following committee was appointed by President Lersner:

Chairman, Henry R. Kinsey, assistant comptroller Williamsburgh Savings Bank, Brooklyn, N. Y.; W. D. Longyear, vice-president Security Trust & Savings Bank, Los Angeles, Cal.; Byron W. Moser, vice-president St. Louis Union Bank, St. Louis, Mo.; F. D. Conner, publicity manager Guardian Savings & Trust Co., Cleveland, Ohio; F. H. Williams, treasurer Albany City Savings Institution, Albany, N. Y.

Amortization of Mortgage Loans

The Committee on Amortization of Mortgage Loans are progressing most satisfactorily with the study of the question. A mass of material has been gathered and is now being analyzed and classified.

Japan and England

A correspondence has been established with Alexander G. Cargyll, actuary Edinburgh Savings Bank, Edinburgh, Scotland, for a monthly survey of savings and investment conditions in Great Britain, and with G. Yamagishi, direction general of Postal Money Orders and Savings Banks, Tokio, Japan, for a monthly statement of economic conditions in Japan pertaining to the business of savings.

Wild Cat Promoter and Liberty Bonds

In all parts of the country the unscrupulous wild cat promoter is at large. He has urged the farmers and the inexperienced investor to part with their Liberty bonds in exchange for worthless securities. It is our bounden duty to make this depised type's efforts barren of result. This may be done through energetic educational publicity and through constant contact with the people of our several communities. The American Bankers Association may be able to do a great service in urging the bankers to act, but it requires the persistent efforts of the banks throughout America to eliminate this evil. It is a matter of common knowledge that schools have been established where salesmen are taught the art of swindling the people. Many people who have been virtually forced to buy Liberty bonds are not any too anxious to continue to hold them. As a consequence such people fall easy prey to the wild cat promoter's efforts. Banks should use their advertisements for urging the people to beware of these "slick artists."

M. W. H.

Clearing House Section

Interest Rates—Paid and Received

President Stoddard Jess of the Clearing House Section has appointed a special committee of three, charged with the responsibility of making a comprehensive study of the laws, customs and practices in the various states with reference to interest rates received on loans and paid on accounts by banks and trust companies.

This investigation will be made with the view of determining upon some practical plan for a more scientific basis than has heretofore existed for the fluctuation of rates paid and received. The members of the committee are: Alexander Dunbar, chairman, cashier Bank of Pittsburgh, N. A., Pittsburgh, Pa.; H. Warner Martin, vice-president Lowry National Bank, Atlanta, Ga.; J. B. McCargar, vice-president Crocker National Bank, San Francisco, Cal.

The secretary of the section will be glad to receive any suggestions that will be helpful to this committee in its efforts.

Monthly Service Charge Plan

Pursuant to recommendations of the Clearing House Section, the associated banks and trust companies of Richmond, Va., are about to inaugurate the following rules:

On and after January 1, 1919, the banks and trust companies of Richmond will require all checking accounts, upon

which five or more checks are paid during the month, to keep an average balance of at least $50.

On accounts where the balance does not equal $50 and upon which as many as five checks are paid, a service charge of fifty cents per month will be made to cover the expense of handling the account.

The service charge, if any, will be debited to the account, and a charge ticket for same will be included with canceled checks for the current month.

These rules do not apply to savings accounts.

It is understood that all checking accounts continued after January 1, 1919, are to be subject to the conditions above set forth.

The banks in a small city in the state of New York inaugurated similar rules about eighteen months ago, which have netted a saving to the banks of that community of about $7,200 per annum.

The secretary of the section will be pleased to furnish further information regarding this feature to those who are interested.

Charge for Marketing and Safe-keeping of Bonds

The associated banks and trust companies of Spokane, Wash., have adopted the following rules regarding the handling, sale and safe-keeping of bonds:

Purchase may be made at such prices *and accrued interest*, less the following deductions to cover postage, insurance, handling expenses and the hazard of market changes:

Deduction on purchase of bond in amount of $50..... 50c.

Deduction on purchase of bond or bonds in amount of $100..... 75c.

Deduction on purchase of bond or bonds in amount of $200..... $1.00

Deduction on purchase of bond or bonds exceeding $200 and not exceeding $500.....per hundred, 40c.

Deduction on purchases exceeding $500 and not exceeding $1,000, $2 for first $500 and 10c. for each additional $100 or fraction thereof up to $1,000.

Deduction on purchases exceeding $1,000, $2.50 for first $1,000 and ⅛ of 1 per cent. on surplus.

No binding rule shall be established governing sale prices on bonds *sold* by the banks over the counter, but a general policy shall be followed of charging prices equal to New York Stock Exchange quotations plus ⅛ of 1 per cent.

It is respectfully recommended that from and after January 1, 1919, the clearing house banks of the city of Spokane adopt for the deposit and care of Liberty Bonds the following schedule of charges, which, on account of the large number of transactions involved, will constitute an adequate compensation for the various banks without proving burdensome to the individual depositor:

A charge of 25c. for one $50 Liberty Bond.

A charge of 50c. for a total of bond or bonds above $50 and not exceeding $500.

A charge of $1 for a total of bond or bonds above $500 and not exceeding $1,000.

A charge of 10c. per $100 for amounts exceeding $1,000.

(The foregoing represents the deposit and *annual charge*. No refund for fractions of a year.)

Condensed Financial Statements

The form of condensed financial statement approved by the Clearing House Section at Chicago, September last, and reproduced on page 291 of the December JOURNAL, is being introduced by banks in the clearing house centers throughout the country. Specimen copies will be furnished upon application to the section's secretary, 5 Nassau Street, New York.

The general committee having in charge the introduction of this form—John H. Fulton, chairman, executive manager National City Bank, New York; Thos. B. McAdams, vice-president Merchants National Bank, Richmond, Va., and John R. Washburn, vice-president Continental and Commercial National Bank, Chicago—has increased its membership by the addition of one or more members for each Federal reserve district. The members added are:

District No. 1—Boston—C. H. Dwinnell, vice-president First National Bank.

District No. 2—New York—Jas. Matthews, assistant cashier National City Bank; G. M. Dahl, vice-president Chase National Bank; Walter H. Bennett, vice-president American Exchange National Bank.

District No. 3—Philadelphia—W. K. Hardt, vice-president 4th Street National Bank.

District No. 4—Cleveland—W. E. Ward, vice-president Union Commerce National Bank.

District No. 5—Atlanta—John K. Ottley, vice-president Fourth National Bank.

District No. 6—Richmond—W. M. Addison, vice-president First National Bank.

District No. 7—Chicago—J. F. Hagey, vice-president First National Bank; Lucius Teter, president Chicago Savings Bank & Trust Co.; D. A. Moulton, vice-president Corn Exchange National Bank.

District No. 8—St. Louis—J. S. Calfee, cashier Mechanics American National Bank; W. W. Smith, vice-president Third National Bank; Ray F. McNally, vice-president National Bank of Commerce.

District No. 9—Minneapolis—A. A. Crane, vice-president First & Security National Bank.

District No. 10—Kansas City—C. G. Hutcheson, vice-president First National Bank.

District No. 11—Dallas—R. H. Stewart, president City National Bank.

District No. 12—San Francisco—C. K. McIntosh, vice-president Bank of California.

The committee sent a specimen copy of the statement to every bank and trust company in over eighty centers requesting these institutions to get their patrons to use the statement in connection with paper offered for sale in the open market, and also requesting the banks and trust companies to require the statement in connection with paper that they purchase in the open market.

St. Louis Adopts Clearing House Emblem

The St. Louis Clearing House Association has adopted an emblem which will be displayed by the members and associate members in connection with their names in their respective lobbies, on their windows, doors, stationery, etc. This emblem is to be used in order that the public may be informed as to what banks and trust companies in that community are associated with the clearing house and under its examiner supervision. The following is an excerpt from the St. Louis Clearing House rules:

There is hereby adopted an emblem to be used exclusively by members and associate members who are periodically examined by the clearing house examiners. Said emblem shall be in this form:

and bearing the words "Member" or "Associate Member," as the case may be.

A number of other clearing houses have adopted this idea and in connection with its inauguration have conducted a publicity campaign to inform the public as to the true function of the clearing house and its respective members, their relations to the public, the services they perform, etc.

Country Collection Department Discontinued

The New York Clearing House has discontinued the operation of its country collection department for the reason that the Federal Reserve Bank of New York now covers the entire territory formerly covered by the country collection department of the New York Clearing House. The taking over of this feature by the Federal Reserve Bank of New York has relieved the banks of New York City of a heavy expense and without any loss of service.

Valuable Aid in Routing Checks

Under date of July 20 the Clearing House Section addressed the following communication to the governors of the various Federal reserve banks:

We believe that you have made some effort to get your member banks to have your district number printed in large hair-line type on the face of all of their checks and drafts. We believe this idea should be extended to include all banks whose checks are clearable through the Federal reserve banks.

Many of the small banks complain because of the difficulty they experience in determining what checks are clearable through the Federal reserve banks. Rather than to refer to charts and lists they prefer to send all their items to their reserve city correspondents. This makes a duplication of work.

We believe that much labor and many thousands of dollars of expense could be saved annually by having all banks print their district number on checks and drafts as above outlined.

Do you believe it advisable to undertake a campaign at this time to encourage the carrying out of this suggestion?

The replies to this letter were not all favorable, but the proposition later received consideration, and in line with recommendations of the Federal Reserve Board, the Richmond Federal Reserve Bank has addressed the following communication to its members:

Subject: Identification Marks on Par Checks

To the Bank or Banker Addressed:

Since the suspension by all the Federal reserve banks of the service charge on items contained in the Federal reserve par list, the volume of items cleared through the Federal reserve banks has very materially increased. Banks and the public at large are beginning to appreciate the difference between a check collectible at par through a Federal reserve bank and one that is not.

There has been a growing demand for some system of marking such checks and the Federal Reserve Board has suggested the following system, which will be adopted uniformly in all Federal reserve districts.

Member banks of the Fifth Federal Reserve District should have printed on their customers' checks (drawn, of course, on themselves) in a conspicuous and a convenient place, the following legend:

MEMBER
F. R. B.
DISTRICT No. 5
Collectible at Par

Member banks, however, located in Maryland and whose reserve accounts are consequently kept at the Baltimore branch, should use the following form:

MEMBER
F. R. B.
DISTRICT No. 5 Balto.
Collectible at Par

Non-member banks that have agreed to remit at par for items sent to them by the Federal Reserve Bank of Richmond should use the legend on their customers' checks, as follows:

F. R. B.
DISTRICT No. 5
Collectible at Par

This is identical with the legend to be used on checks drawn on member banks except that the word "member" is omitted.

Non-member banks that have agreed to remit at par to the Baltimore branch of the Federal Reserve Bank of Richmond should use a legend on their customers' checks, as follows:

F. R. B.
DISTRICT No. 5 Balto.
Collectible at Par

If this plan is adopted, it will be plain to anyone upon receiving a check whether drawn upon a member bank or upon a bank that has agreed to remit at par to the Federal reserve bank of the district in which it is located that the check can be collected without an exchange charge. In addition to this the *work of all banks handling such items* will be greatly facilitated and the advantage of issuing a check collectible at par through the Federal reserve system will be more thoroughly recognized and appreciated by the public.

We have had prepared a supply of rubber stamps showing the proper forms to be used on customers' checks. Upon application from a member bank, or a bank in this district that has agreed to remit at par for checks forwarded by us, we will be glad to send, without charge, one of the stamps in order that the bank may be sure of using the proper form.

Respectfully,
Federal Reserve Bank of Richmond.

Acceptances and Notes Cleared at the Regular Exchanges

The New York Clearing House Committee has adopted rule No. 11, reading as follows:- "On and after August 1, 1918, notes and acceptances may be sent through the morning clearings on day of due date." Through this plan of handling acceptances and notes on practically the same basis as checks much time and labor is saved in the presentation and handling of the items. In view of the growing volume of acceptances it would seem advisable for the clearing houses throughout the country to adopt a similar rule. Complaints are being received from various sources because of the slowness on the part of banks in handling and collecting acceptances, also on account of the charges that are being made for the service of clearing and collecting. Banks are entitled to a fair compensation for the service involved. A liberal policy and prompt and efficient service will redound to the benefit of the banks.

Conference Results in Better Service

Mr. Kelsey, manager of the Cleveland Clearing House Association, experienced great difficulty because of failure on the part of clearing banks to report promptly differences arising in connection with transactions through the clearing house. A conference of the clerks handling this feature of the business was called at the clearing house and after a thorough study of the situation those present were impressed with the importance of promptly reporting to the manager and to the member banks interested the differences discovered in the lists, totals, etc. This action has resulted in the elimination of many hours of hard labor and effort in locating differences.

Two Labor and Time Savers

The universal numerical system and the no-protest symbol plan can be used by every bank and trust company in America to great advantage. Under the numerical system every bank and trust company is given a number, other banks handling the items of these institutions record and carry them under these numbers instead of under the names. The no-protest symbol plan affords a means under which no-protest instructions may be transmitted automatically and safely through any number of hands to the final paying bank. The latter scheme, although inaugurated a few months ago, is now being used by more than 10,000 banks.

Information regarding the no-protest symbol plan will be furnished to those not familiar with it upon application to the secretary of the Clearing House Section, 5 Nassau Street, New York.

National Bank Section

Fred. W. Hyde Succeeds Jerome Thralls

Jerome Thralls, who has served the National Bank Section with conspicuous ability since the organization was formed in 1915, has resigned the office in order to devote his entire time and efforts to the Discount Corporation of New York, of which he is secretary and treasurer.

The executive committee has elected Major Fred. W. Hyde of Jamestown, N. Y., secretary of the section. The change in occupants of the office became effective January 1, 1919.

Major Hyde was chosen first president of the National Bank Section. For fourteen years he was cashier and vice-president of the National Chautauqua County Bank of Jamestown, resigning early in 1918, and in the interim has been treasurer of the Dahlstrom Metallic Door Company, one of the largest industrial establishments at Jamestown. For several years he served on the Executive Council of the American Bankers Association as a representative from New York State.

Make It Unanimous

"Lest we forget." In each of the forty-eight states of the Union are national banks that are not enrolled in the National Bank Section. In the great war the Americans registered 100 per cent. on land and sea.

The American Bankers Association expects national bankers during 1919 to register 100 per cent. plus in the section of which they should be members. Attention of the section vice-presidents in all the states is directed to the enrollment of all the national banks in their jurisdiction. Co-operation by the member banks is solicited.

Often "a word spoken in season" will induce an outlander to come into the fold. In numbers there is strength. The reconstruction post-war period is here. Bankers can best render service to their own distinctive line of business and to the public by presenting a united, cohesive front. Therefore, let it be "all for one and one for all." To accomplish that desideratum we must have every national bank in the United States and dependencies enrolled in this section early in the New Year. Let's make it unanimous.

National Banks Setting New Records

A few years ago "millions" represented the nth and last degree of magnitude that the human mind could assimilate. The world war has brought us into familiar relations with billions. Trillions next! These observations have their source in a reading of the comparative statement prepared by the Comptroller of the Currency under a December date.

The first eleven months of 1918 show 217 applications for charters for new national banks, with capital of over $13,000,000 against 273 applications with capital of over $18,000,000 in a like period in 1917; 144 charters were granted in 11 months in 1918; 174 in

11 months in 1917. During this period in 1918, 161 national banks increased their capital stock $18,641,000 as against 168 banks and $22,659,990 in 11 months in 1917. Only 4 banks reduced their capital stock the first 11 months in 1918, and these by $325,000; in 1917 there were 12 banks that reduced by $700,800 in a like period.

The first eleven months in 1918, 36 national banks went into voluntary liquidation, their aggregate capital being $5,670,000, while in a corresponding period the previous year the relative figures were 67 and $6,267,500. The Comptroller refused 21 applications for charters in 1918 and in 1917 29 applications, covering the period January to November inclusive each year.

Discount and Interest Records

Just for the nonce no subject more interests national bankers than the order of the Comptroller of the Currency regarding "Earned and Unearned Discount and Interest." Many letters of protest against the requirement have been received. Nevertheless, there must be compliance with the Comptroller's demand, hence it remains for national banks to adopt a system or method which will afford results with least expenditure of labor and expense. The Comptroller has not specified how the work shall be done and each bank is left to its own expedients. In the December number of the JOURNAL a plate was printed for a sheet for calculating daily earnings on discounts, together with explanatory text. This month we reproduce the contents of a pamphlet prepared and published by the Federal Reserve Bank of Boston, including two plates for calculating sheets, and we hope that members of the section through these media will be able to make easier for themselves the additional task which has been set for them.

The text of the pamphlet specified and the plates will be found below:

Discount Collected and Unearned and Interest Accrued but Uncollected

The Comptroller of Currency has indicated that he will require all national banks, beginning as of January 1, 1919, to carry their earnings on a basis classified as to "discount collected and unearned" and "interest accrued but uncollected." This is a somewhat radical change from the method usually pursued by smaller banks, although one which we believe will be extremely satisfactory to all after it has been carried through the first four to six months' period.

To assist the banks in this district, we have prepared a system which we believe will be adaptable for the needs of most banks, and offer it as a suggestion for adoption if it seems to fill your requirements.

Time Loans

On schedule marked "A" in column 1 there is indicated in arbitrary figures the balance at the close of business of an assumed day. In column 2, the debits to the loan, which include renewals and new items; in column 3, the credits, which include maturing items, partial payments and rebates; in column 4, the increase; in column 5, the decrease; in column 6, the assortment of rates, which may be enlarged or condensed, according to your needs; in column 7, the net balance as of the close of business on that day. The total of this column should agree with the total of time loans on the statement of the bank. In column 8, the interest for one day on each of these balances. In column 9, extended the total of one day's interest on these loans, which added to the amount carried forward, gives the actual earned interest for the current period.

In schedule A we have combined all time loans to simplify the accounting, it being unnecessary in our opinion for the purpose of computing earnings to segregate different classes of time loans. It is optional, however, with your bank as to whether these are segregated or combined.

In order to be able to compute the earnings and to establish a point of beginning, the bank should first set against the individual note in its maturity records the rate at which that particular note was discounted or is being carried. A schedule should be drawn off on a large sheet of ruled paper similar to schedule marked "B," which would show in the first column each day's maturities through the entire portfolio. Against these days should be the sum total in column 3, of say all notes maturing on that day bearing 6 per cent. interest. The next column should be left blank. In column 5, the next lowest rate, assuming it to be 5½ per cent., and with alternating blank columns and rates to cover each that the bank has.

After determining the amount of paper of each rate each day, the number of days that the note has to run to maturity should be set up in the second column. Multiply the amount at each rate by the number of days which it has to run and set up the same in the columns left blank for this purpose. The interest on the total of each of these columns figured for one day and at the specified rate, totaled for all rates, would give the actual figure which should be charged against "earnings" in whatever form they may be carried, and set up as "unearned discount." "Unearned" would each day be credited with the gross discount on all notes handled and would be debited with one day's interest on the total amount of the loan according to schedule A.

Care should be used to see that the partial payments are properly entered. If, in rebating on the time loans, a different rate is given than that at which the note was originally discounted, corresponding adjustments must be made against the "unearned discount."

After computing a day's earnings on the time loans it would be well to take the difference between the increase and decrease, computing interest on this amount for one day, to be added or subtracted to the previous day's earnings as a check against the current day's computations. It is obvious that the difference in each rate should be computed separately.

The "unearned discount" should be proved as often as the size of the bank would seem to require. It would appear that this should be done at least once a month in a fair-sized bank. The process would be exactly similar to that used to compute the original "unearned discount," and the amount should check out quite closely with the "unearned" as carried.

Demand Loans

The demand loan computation should follow the same procedure as the time, except that each day's earnings should be credited to "earned interest," and debited "accrued interest on demand loan." It is assumed that all banks compute their demand loan interest due to January 1, in the regular course. Under this system, the amount then due from borrower would be debited "accrued interest on demand loan" and credited "earned interest." The accrued interest account would be reduced as the individual borrowers made actual payment of their interest.

A change of rates on demand loans would operate as a direct credit against one rate and a corresponding charge against the other.

Bonds and Investments

Bonds and other investments carrying fixed income should be carried at a par amount, as shown on schedule A. Accrued interest due January 1 should be computed from the date of the last payment to January 1 at the various rates. This amount may be determined on a schedule similar to that used to compute the unearned time loan interest, except that the time to run would be from the last interest payment or coupon date to January 1.

After that date the daily earnings should be calculated according to the method pursued on the demand loan, one day's interest being credited to earnings and set up against "accrued income on investments."

SCHEDULE "A"

(1) Balance Previous Day	(2) Renewals and New Loans Dr.	(3) Loans Paid, Rebates & Partial Pay'mts Cr.	(4) Day's Increase	(5) Day's Decrease	(6) Rate	(7) Loan Balance By Rates	(8) Interest Earned Current Day	(9) Interest Earned Current Period
Time Loans						Time Loans		
							Brought Forward	2 672 50
85 000	5 000	2 500	2 500		4	87 500	9 72	
					4½			
193 000	6 000	9 000		3 000	5	190 000	26 39	
					5½			
220 000	15 000	12 500	2 500		6	222 500	37 08	
498 000						500 000		73 19
							Total,	2 745 69
Demand Loans						Demand Loans		
							Brought Forward	2 628 32
					4			
					4½			
98 000	2 000		2 000		5	100 000	13 90	
153 000		3 000		3 000	5½	150 000	22 92	
249 000	1 000		1 000		6	250 000	41 67	
500 000						500 000		78 49
							Total,	2 706 81
						Par Balance		
Bonds & Investments						Bonds & Investments		
							Brought Forward	816 22
2 000					3	2 000	17	
15 000					3½	15 000	1 46	
15 000	5 000		5 000		4	20 000	2 22	
23 000					4¼	23 000	2 72	
15 000					4½	15 000	1 88	
25 000					5	25 000	3 47	
40 000	10 000		10 000		6	50 000	8 33	
135 000						150 000		20 25
							Total,	836 47

SCHEDULE "B"

(1) Date of Maturity	(2) Days to Run	(3) 6%	(4)	(5) 5½%	(6)	(7) 5%	(8)	
Jan. 2	1	10 000	10 000	2 000	2 000	5 000	5 000	
" 3	2	5 000	10 000	2 000	4 000	3 000	6 000	Totals, 6% $50.00
" 6	5	6 000	30 000			9 000	45 000	5½% 36.67
" 7	6	4 000	24 000	1 000	6 000	2 000	12 000	5% 38.19
" 8	7	1 000	7 000	5 000	35 000	1 000	7 000	Unearned $124.86
" 9	8	2 000	16 000	5 000	40 000	6 000	48 000	
" 10	9	3 000	27 000	2 000	18 000	2 000	18 000	
" 13	12	5 000	60 000	3 000	36 000	3 000	36 000	
" 14	13	1 000	13 000	1 000	13 000	4 000	52 000	
" 15	14	2 000	28 000	4 000	56 000	2 000	28 000	
" 16	15	5 000	75 000	2 000	30 000	1 200	18 000	
			300 000		240 000		275 000	
		1 day at 6%	$50 00	1 day at 5½%	$36 67	1 day at 5%	$38 19	

Your coupon maturities, or dividends received from investments would be credited to the "accrued income on investment account," your earnings already having received credit on the day-to-day basis. Adjustments on "accrued income on investments" would be necessary on bonds purchased or sold if carrying accrued interest to time of sale or purchase.

Attention is especially called to the necessity for calculating two days' interest following a Sunday or holiday or more in combination.

While this may seem like a considerable increase of bookkeeping, it is really a very simple operation if the proper forms are used, and is a matter of but a few moments' work each day.

While the results obtained from this new method may show a period of lean earnings, either from charging an arbitrary amount at the beginning or from the first six months when the system might be in process, results obtained we know will fully justify the extra work and the temporary poor showing, as the banks will know at all times just what can be counted upon for expenses and dividends.

If you elect to start this system from January 1 on the new basis, and prefer to have your period of lean earnings come during the new year, rather than the closing year, you may maintain an "unclassified as to rate column" on schedule A, where all maturities of notes discounted, say prior to January 1, will be deducted, carrying into the new system only the notes discounted after January 1, figuring the daily earnings on just the new notes.

Taxation of National Bank Shares by States

What more enlightening and informing than a symposium of views of bankers from all the states relative to the taxation of national banks by states! That the statutes of the many commonwealths are widely divergent in their treatment and control of this subject is recognized. There should be uniformity, standardization. This is conceded. Progress toward the goal may be attended with difficulty and delay. The ogres of precedent and established practice will need to be overcome. In order to guide those who already are studying the subject with the object of remedial legislation, the views of as many bankers from as many states as are possible to obtain are solicited. Those who read these lines and who have convictions on this theme are invited to express themselves to a stenographer and send the product to the office of the secretary of this section, by whom the collection of letters will be forwarded to the section's special committee on state taxation of banks.

This means YOU! The letters will not be made public, nothing prejudicial to the interests of any individual or bank can result, while on the contrary the statements of present conditions, with their varying degrees of inequality and injustice to banking institutions, and the opinions of the writers regarding the changes that should be made, will be of inestimable assistance to those who are endeavoring to find a solution to this very mixed and vexatious problem.

If unity of effort will count, the propaganda of bankers, by bankers and for bankers should be spread, and through no other channel are prospects so bright as through our own organization. The capable committee of the section charged with the duty of plan and scope in this important matter is composed of: J. Elwood Cox of High Point, N. C.; F. W. Foote of Hattiesburg, Miss.; Charles A. Hinsch of Cincinnati, Ohio.

"The prophet has spoken; let the people answer."

State Secretaries Section

The bulletin service established by the section has been heartily welcomed by all the secretaries. Here is what one secretary said:

"The information contained in the bulletin is all in line with what the secretaries want. Not only is it valuable information, but it is presented attractively. I am sure that these communications will be most valuable and they are just what we need in the way of promoting co-operation.

"The trouble heretofore has been that each secretary was acting independently, and even if he were inclined to give the other secretaries the advantage of his assistance, he could not do so for the good reason that the Secretaries Section did not have the means of disseminating the information. In my opinion, the bulletin will solve the problem to a very satisfactory extent."

Arrangements have been made to extend this service to the presidents of bankers' associations in the states where desired.

Insurance Ads. in A. B. A. Journal

Referring to the objection to insurance ads. in the A. B. A. Journal raised by some of the secretaries, it is reported that at the last meeting of the Administrative Committee: "The matter of advertising in the Journal was taken up and discussed and a resolution was passed defining the character of advertisements to be accepted. Under this resolution the Journal may publish the advertisements of 'all firms, corporations or individuals who sell either manufactured articles or other necessities to banks or bankers;' also advertisements from 'brokers, private bankers or investment departments of financial institutions, to be limited to advertisements containing matter pertaining to the sale of bonds, securities, underwriting syndicates, reorganizations and notice to security holders.' There shall be nothing in the advertisements soliciting the deposit accounts of banks." It is also stated that advertising contracts will hereafter be under the supervision of President Maddox or of some designated member of the Administrative Committee in co-operation with the General Secretary.

Safekeeping Liberty Bonds

It appears that the banks in a number of states have been circularized by the "inventor" of a new method to take care of Liberty Bonds left for safekeeping.

This plan contemplates that instead of issuing a receipt, the bank would deliver a "Certificate of Bond Deposit," in the same manner as the ordinary certificate of deposit, indicating the amount and series of the bonds deposited, but without the numbers thereof. The bank would not be bound to surrender the identical

bonds deposited, but on demand would deliver an equal amount of the same series as called for by the certificate.

It is argued that under this plan the bank can either hold the bonds in its own safe or vault, or it can retain only a sufficient amount to take care of the requirements of its customers and use the balance as collateral with the Federal reserve bank with notes taken by the bank from customers for Liberty Loans. This arrangement simplifies the handling of bonds left for safekeeping, but adds to the liability of the bank. It also gives the bank a large amount of bonds, which can be used as collateral should it be found necessary or advisable to use them for this purpose.

The proposed plan was submitted by this office to the Comptroller of the Currency for an opinion regarding its adoption by national banks and the following reply has been received:

"A number of inquiries from banks relative to the proposed plan have been received in this office, and in every case they have been advised that bonds left in the bank for safekeeping only should not be included in the assets in any manner; that if the plan proposed by the circular was adopted, the bank would be liable for the 'bonds borrowed' and the liability should be shown on the books and reported, and that liabilities elsewhere than with the Federal reserve bank are subject to the limit prescribed by Section 5202, U. S. R. S."

It will be noted that bonds left for safekeeping cannot be included in the assets of the bank in any manner, and if the certificate plan is used the bonds received must be listed as "bonds borrowed" and that this liability is subject to the limit prescribed by Section 5202, U. S. R. S., which provides:

"No banking association shall at any time be indebted, or in any way liable, to an amount exceeding the amount of its capital stock at such time actually paid in and remaining undiminished by losses or otherwise, except on account of demands of the nature following:

"First. Notes of circulation.

"Second. Moneys deposited with or collected by the association.

"Third. Bills of exchange or drafts drawn against money actually on deposit to the credit of the association, or due thereto.

"Fourth. Liabilities to the stockholders of the association for dividends and reserve profits.

"Fifth. Liabilities incurred under the provisions of the Federal Reserve Act."

The limitations placed on the borrowing capacity of state banks naturally vary in the different states, but it would seem in the interest of good banking, we should recommend to State Supervisors of Banking, that the same restrictions as applied to national banks be adopted where the state laws do not now so provide.

Sections Within State Associations

It appears that a movement for the organization of sections in the various state associations, on the plan in vogue in the A. B. A., is being agitated in some quarters, due apparently to fear of the U. S. Council of State Banking Associations. This is a question which we should all be prepared to discuss intelligently with our respective members, as it will probably come up from time to time in future council meetings and conventions, not so much because of a demand on the part of the banks as through instigation by outside interests. Will not such a movement have a tendency to bring about class division and create factions in our organizations? It seems clear that the interests of the various banks have been well taken care of by the respective state associations and in national matters by the sections of the A. B. A. Is there any need therefore for any further organization machinery?

What the U. S. Council will be able to accomplish remains to be seen. It certainly is strange that it should call on the present state associations to provide its maintenance without so much as "by your leave." As a matter of fact, the membership dues in these bodies have been established to meet current expenses only and in no manner take into account an appropriation to finance an independent council, to say nothing of the impropriety of doing so for the benefit of one class of banks at the expense of another. It is plain, therefore, that if the state banks need this new organization, its financing must necessarily be by means of additional assessments, notwithstanding the assertion to the contrary contained in the circular issued to these institutions, and if this is desirable, it might best be handled through sections in state associations. But will the banks care to contribute additional money for a service that is already being performed by the State Bank Section of the A. B. A. without extra cost? If not, then there will be no need for state sections and, of course, the U. S. Council will be compelled to finance itself in some other way. It would seem, therefore, that the movement for the organization of sections within state associations can be allowed to rest pending a real demand on the part of the banks. For the purpose of obtaining an expression on this subject, each secretary is requested to write the undersigned in full in regard to the situation in his state.

Committee on Standardization of Forms

In Service Bulletin No. 1 mention was made of the object to co-operate with the secretaries of the other sections of the A. B. A. and as a result the following was received from Secretary Thralls of the National Bank Section:

"May I suggest that it might not be amiss for the State Secretaries Section to appoint a committee on forms to work with similar committees of the other sections of the Association that are now devoting their attention to the subject of revising and developing forms for the use of all classes of banks. Each section has appointed a Committee of Five. The twenty-five men so appointed will be considered a Joint Committee. The subject of forms, in all of its ramifications, will be subdivided into five divisions. Then each division will be assigned to a particular sub-committee selected not only because of qualification to handle that particular division of the work, but with due regard to geographical location so that the members of the respective sub-committees can meet and handle the work in conference. This is a big undertaking and I hope, instead of running the chance of confusion, that your section will decide to appoint a committee to join with the others."

This has been referred to President Colburn with the recommendation that he add two members to our present committee and that we work in harmony with the others.

A. B. A. Agricultural Commission

Mr. Joseph Hirsch, chairman, writes as follows:

"The Agricultural Commission of the American Bankers Association earnestly requests the co-operation of the State

Secretaries in the distribution by the state associations of our official magazine, *The Banker-Farmer*.

"Nearly thirty state associations are now sending the magazine to all their members, for which the state associations pay 25 cents per annum per member bank. About 12,000 banks are now receiving the paper under this plan of distribution.

"The cost of getting out this magazine is now about $1,000 per month—our bills for September, October and November, 1918, amounting to $3,113.55. The American Bankers Association has appropriated $6,500 for the use of the Agricultural Commission for the year 1918-19. Practically all of this money is spent on the magazine. So that, as frequently stated by the chairman of this Commission, the expense is borne about equally by the state associations and by the American Bankers Association, and as, roughly speaking, about one-half the members belong to the A. B. A., while the other half do not, this plan of payment seems very equitable.

"We especially direct the attention of the Secretaries to the fact that the United States Department of Agriculture is working in very close co-operation with the Agricultural Commission, and is using the pages of the *Banker-Farmer* for placing special messages before the bankers of America. We earnestly request the state secretaries to read the articles in the December issue of the magazine furnished by Secretary of Agriculture David F. Houston, Assistant Secretary of Agriculture Clarence Ousley and Herbert Hoover, Food Administrator.

"We are endeavoring by the use of pictures to make the paper more readable and interesting, and we are receiving very favorable comment relative to the general improvement in the make-up of the magazine. Through the *Banker-Farmer* we are furnishing bankers with forms for the organization of livestock clubs, and it is no exaggeration to state that thousands of bankers all over America have started some form of agricultural or livestock development as a result of reading the pages of the magazine.

The Agricultural Commission is now in correspondence with the United States Department of Agriculture, working on some plans relative to 1919. We are hoping to call a conference of the Agricultural Committees of the State Associations, in Washington, possibly in February. We had hoped to call this meeting earlier, but on account of the sudden ending of the war the plans of the United States Department of Agriculture have been materially changed. The Department, however, is now pointing out the special necessity for bankers interesting themselves, more than ever, in livestock development and in the home production of home necessities.

"There are many grave problems ahead of us, an especially important one being that of the better and more equitable marketing of our farm products.

"We earnestly request the co-operation of every state secretary, and we believe that the only way we can get the propaganda of the Agricultural Commission and of the state bankers' agricultural committees before the bankers of this country generally is through the medium of our publication, *The Banker-Farmer*. The Commission not only requests the co-operation, but it also asks the advice and criticism of the state secretaries.

"We want to work in the very closest touch with the State Secretaries Section of the American Bankers Association."

A. B. A. Legislative Council

Among the activities listed by one of the sections of the A. B. A. appears a proposal to have the Vice-Presidents of the A. B. A. and the several sections in each state included in the membership of the Federal Legislative Council. It was thereupon suggested that the secretaries also be added and that these various officials form an Advisory Committee on Legislation in each state, with the member appointed by the A. B. A. as chairman. General Counsel Paton has expressed himself in favor of this plan and will recommend its being put into effect both as to state and Federal legislation.

Franking Privilege to Banks

Referring to Senate Bill (S. 5062), which extends the franking privilege to banking institutions in connection with business relating to the collection of instalment payments upon subscriptions to the Liberty Loan, the question has been raised by Chairman Newcomer of the A. B. A. Committee on Federal Legislation as to whether the bill is sufficiently broad. His point is that it is restricted to (1) communications in connection with the business of collecting instalment payments, (2) any issue of the Liberty Loan; it would not therefore (1) grant the franking privilege for the solicitation of subscriptions or in notification of allotments, and (2) if the next loan was called a "Victory" and not a "Liberty" loan, it would not apply. It is therefore suggested that Senator Moses be asked to introduce a new and amplified bill which would change the concluding portion of the present bill somewhat as follows:

"In connection with the business of *soliciting subscriptions, notification of allotments and* collecting instalment payments upon subscriptions to any issue of the Liberty Loan *or any other loan to the United States growing out of the war with Germany.*"

The members of the Federal Legislative Committee are now being sounded on these changes with a view of perfecting the bill before actively advocating its passage.

"Interest Accrued," Etc., in Comptroller's Statements

Many of the national banks having expressed a doubt of being able to comply with the requirements of the Comptroller of the Currency to keep a daily record of "Interest earned and not collected" and "Interest collected and not earned," a simple form was devised through the efforts of Secretary Macfadden, North Dakota, and samples, together with directions for using, submitted to all the secretaries for the benefit of the membership in their respective states. Orders for these blanks have been pooled and by this method of section service supplies are obtained at a nominal cost.

Meeting of Southern Secretaries

Secretary DeSaussure, Florida, and Secretary Philpott, Texas, were re-elected president and secretary, respectively, of the Southern States Conference at the meeting held in Atlanta, December 5. The interesting features of the conference were the welcoming address of President Robert F. Maddox of the American Bankers Association; the luncheon at the Capital City Club tendered by the Atlanta Clearing House Association and the eight hours of intense discussion of vital problems. President DeSaussure, in opening the meeting, spoke of the service bankers could do in spreading abroad in their communities the patriotic ideals which have been inspiring the men in the training camps. He also mentioned the great good which will come from the attendance in person of President Wilson at the peace conference, where he can forcibly impress upon the delegates the ideals of America which inspired her to enter the war and fight it through to a successful

conclusion. The following topics formed the program for discussion:

1. Southern Associations and the National Government.
2. Co-operative Buying by Secretaries for Members.
3. Various Sections in State Associations.
4. Topics for State Conventions and Group Meetings in 1919.
5. County Organization of Bankers for War Work.
6. Relations of State Secretaries to the A. B. A.
7. The Elusive Non-Member. Methods Used to Ensnare Him.
8. Official Publications and Books of Proceedings.
9. Legal Inquiries from Members.
10. Criminal Protective Work.
11. Office Management.
12. State Conventions.
13. Uniform State Banking Laws for the Southern States.

Central States Conference

An inquiry has been addressed to the secretaries making up this sectional organization to ascertain whether March 11 and 12, 1919, will be acceptable dates for the next meeting in Chicago. Secretary Bowman, Kansas, is president and Secretary Warner, Iowa, secretary.

"An abundant prosperity to all in the New Year."

M. A. Graettinger.

Convention Calendar

Date	Association	Place
April 25-26	Florida	Jacksonville
May 13-14	Missouri	
May 15-16	Kansas	Kansas City
May 19-20-21	Executive Council, A. B. A.	White Sulphur Springs, W. Va.
May 20-21-22	Texas	Galveston
June 5-6-7	California	Santa Catalina Island
June 12-13	New York State	Albany
June	Oregon	Portland
Sept. 4	Delaware	
	Idaho	Burley

Registration at the Association Offices

Reported from November 26 to December 26, 1918

Allen, Frank T., vice-president Fidelity Trust Co., Newark, N. J.
Bausman, John W. B., president Farmers Trust Co., Lancaster, Pa.
Beach, S. H., president Rome Savings Bank, Rome, N. Y.
Bell, J. G., cashier First National Bank, Nanticoke, Pa.
Bell, W. M., assistant cashier Bank of Pittsburgh N. A., Pittsburgh, Pa.
Berger, G. F., examiner New York State Banking Department, New York, N. Y.
Blair, Frank W., president Union Trust Co., Detroit, Mich.
Butler, Walter A., Franklin State Bank, Franklin, Nebr.
Campbell, Henry M., chairman of board, Union Trust Co., Detroit, Mich.
Cox, Raymond B., vice-president Webster & Atlas National Bank, Boston, Mass.
Dinkins, Lynn H., president Interstate Trust & Banking Co., New Orleans, La.
Drum, John S., president Savings Union Bank & Trust Co., San Francisco, Cal.
Durham, T. R., assistant cashier Chattanooga Savings Bank, Chattanooga, N. Y.
Dutton, A. L., secretary Bankers Trust Co., Buffalo, N. Y.
Felix, A. G., cashier Peoples Bank, Philadelphia, Pa.
Fetterer, C. J., Bank of the Manhattan Co., New York, N. Y.
Gilbert, Claude, representative American Exchange National Bank, New York, N. Y.
Hall, Myron S., president Buffalo Trust Co., Buffalo, N. Y.
Hall, P. W., Des Moines, Iowa.
Hemingway, W. L., president Mercantile Trust Co., Little Rock, Ark.
Heppenheimer, Wm. C., president Trust Co. of New Jersey, Hoboken, N. J.
Hopkins, H. L., president Security Bank, Clark, S. Dak.
House, J. A., president Guardian Savings & Trust Co., Cleveland, Ohio.
Hulbert, Edmund D., president Merchants Loan & Trust Co., Chicago, Ill.
Jones, Dan W., Mississippi Valley Trust Co., St. Louis, Mo.
Kemp, Robert D., president Artisans Savings Bank, Wilmington, Del.
Ketchum, Harold J., National Bank of Commerce, Lincoln, Nebr.
Koch, John, assistant cashier First State Bank of Detroit, Detroit, Mich.
Lersner, V. A., comptroller Williamsburgh Savings Bank, Brooklyn, N. Y.
McCleave, Jas., manager Credit Department Third National Bank, St. Louis, Mo.
Manning, James H., president National Savings Bank, Albany, N. Y.
Marlin, B. M., secretary and treasurer Union Banking & Trust Co., Du Bois, Pa.
Mason, John H., president Commercial Trust Co., Philadelphia, Pa.
Meade, J. F., cashier National City Bank, Kansas City, Mo.
Morris, Robert A., president Indiana Bankers Association, Fairmont, Ind.
Neef, E. P., assistant secretary Missouri Bankers Association, Sedalia, Mo.
Nickert, Wm. A., assistant cashier Eighth National Bank, Philadelphia, Pa.
Orr, Isaac H., vice-president St. Louis Union Trust Co., St. Louis, Mo.
Parker, George S., president Live Stock National Bank, Sioux City, Iowa.
Perrin, John, Chairman Federal Reserve Bank, San Francisco, Cal.
Phelps, P. C., San Francisco, Cal.
Runkle, Delmar, president Peoples National Bank, Hoosick Falls, N. Y.
Smith, Capt. R. J., Ordnance Department, Army, Washington, D. C.
Smith, Solomon A., president Northern Trust Co., Chicago, Ill.
Stone, Ralph, president Detroit Trust Co., Detroit, Mich.
Taylor, W. H., treasurer Somerville Trust Co., Somerville, N. J.
Titus, P. P., assistant cashier Liberty Bank, St. Louis, Mo.
Wall, A., credit manager National Bank of Commerce, Detroit, Mich.
Williamson, E. B., vice-president Albany State Bank, Albany, Ore.

State Bank Section

The State Bank Section is co-operating with the Committee on State Legislation of the American Bankers Association in a comprehensive plan for the ensuing year. The particular subjects of recommended legislation to be urged for enactment, in those states where legislation thereon has not already been procured, are the following:

1. The Uniform Negotiable Instruments Act.
2. The Uniform Bills of Lading Act.
3. The Uniform Warehouse Receipts Act.
4. The Uniform Stock Transfer Act.
5. False statements for credit.
6. Derogatory statements affecting banks.
7. Liability for payment of forged or raised checks.
8. Checks or drafts without funds.
9. Burglary with explosives.
10. Payment of deposits in two names.
11. Payment of deposits in trust.
12. Competency of notaries of banks and other corporations.
13. Limit of liability of a bank for non-payment of check through error.
14. Bank transactions after twelve o'clock noon on Saturdays.
15. Legalizing the sending of checks direct to the drawee.
16. Enabling legislation to authorize state banks and trust companies to join Federal reserve system.
17. Prevention of fraud in the transfer of accounts receivable by secret transfers.

A brief statement of the purpose of the proposed laws on each of the above-named subjects follows, together with a list of the states in which the proposed laws have not yet been enacted in the recommended or some modified form:

Uniform Negotiable Instruments Act—This law has been passed in every state of the Union except Georgia and Texas. Doubtless every effort will be made to secure the passage of this act in those states during 1919.

Uniform Bills of Lading Act—This law has been passed in twenty states and in the territory of Alaska. The following states have not yet passed it: Alabama, Arkansas, Arizona, California, Colorado, Delaware, Florida, Georgia, Indiana, Kansas, Kentucky, Mississippi, Montana, Nebraska, Nevada, New Mexico, North Carolina, North Dakota, Oklahoma, Oregon, South Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, West Virginia, Wisconsin and Wyoming.

Uniform Warehouse Receipts Act—This law has been passed in forty-one states and in the Philippines. The following states have not yet passed it: Arizona, Georgia, Indiana, Kentucky, Mississippi, New Hampshire, South Carolina and Texas.

Uniform Stock Transfer Act—This law has been passed in Connecticut, Maryland, Massachusetts, New Jersey, New York, Ohio, Pennsylvania, Rhode Island, Wisconsin and in Alaska. The other states have not yet enacted this law.

False Statements for Credit—In 1909 a proposed act entitled "An Act to punish the making or use of false statements to obtain property or credit" was jointly prepared by counsel for the National Association of Credit Men and the General Counsel of the American Bankers Association. It has been enacted, with more or less modification, in thirty-three states. The following is a list of states wherein this law has not yet been enacted in the form originally drafted or in a modified form: Alabama, Arizona, District of Columbia, Georgia, Iowa, Kansas, Massachusetts, Mississippi, Nevada, North Carolina, North Dakota, Oregon, South Carolina, South Dakota, Texas and Washington.

Derogatory Statements Affecting Banks—In 1907 a proposed act entitled "An Act to punish derogatory statements affecting banks" was drafted by the General Counsel of the American Bankers Association to meet the evil of bank slander to which banks are peculiarly subject, and for which, but for a statute of this kind, there is no adequate redress. This statute has been enacted in the form drafted, or with some modifications, in twenty-two states and in Alaska. In the following states this statute has not been enacted in its original or in any modified form: Alabama, Arizona, Colorado, District of Columbia, Georgia, Idaho, Illinois, Indiana, Iowa, Maine, Massachusetts, Minnesota, Mississippi, Montana, Nebraska, New Hampshire, North Dakota, Oklahoma, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, West Virginia and Wisconsin.

Forged or Raised Checks—As originally drafted and enacted in a number of states this law provided: "No bank shall be liable to a depositor for the payment by it of a forged or raised check unless within one year after the return to the depositor of the voucher of such payment, such depositor shall notify the bank that the check so paid is forged or raised." In many states the time limit was changed to six months, three months, sixty days or thirty days. Subsequently the law was redrafted at the instance of the "Law Committee," now the Committee on State Legislation of the Association, in the following form: "Section 1. No bank which has paid and charged to the account of a depositor any money on a forged or raised check issued in the name of said depositor shall be liable to said depositor for the amount paid thereon unless either (1) within one year after notice to said depositor that the vouchers representing payments charged to the account of said depositor for the period during which such payment was made are ready for delivery, or (2) in case no such notice has been given, within one year after the return of said depositor of the voucher representing such payment, said depositor shall notify the bank that the check so paid is forged or raised. Section 2. The notice referred to in the preceding section may be given by mail to said depositor at his last known address with postage prepaid." Twenty-two states have enacted this law in one or the other form. States in which it has not been passed are the following: Alabama, Arizona, Arkansas, Colorado, Connecticut, Delaware, District of Columbia, Florida, Georgia, Illinois, Indiana, Kentucky, Maryland, Mississippi, Missouri, Nebraska, Nevada, New Hampshire, New Mexico, Oklahoma, Pennsylvania, South Carolina, Tennessee, Texas, Utah, Virginia and West Virginia.

Checks or Drafts Without Funds—An Act to punish the giving of checks or drafts on any bank or other

depositary wherein the person so giving such check or draft shall not have sufficient funds or a credit for the payment of the same, has been drafted and is designed to increase the protection against, and check the growth of, the pernicious practice of issuing and of negotiating "not good" checks, with intent to defraud, by expressly defining what constitutes this particular crime and providing adequate punishment. This statute has been enacted in the recommended or modified form in thirty-eight states. In a number of states its effect has been weakened, but the facility of obtaining its passage has been increased by the insertion of a proviso to the effect that if the maker of the check, within a specified period after notice of nonpayment, makes good the amount to the bank, he shall not be prosecuted. In the following states this act has not been enacted in the recommended or in any modified form: Arizona, Connecticut, District of Columbia, Maryland, Massachusetts, Michigan, Montana, New Jersey, New Mexico, Oklahoma and Pennsylvania.

Burglary With Explosives—An Act defining the crime of burglary with explosives has been drafted, reading as follows: "Section 1. Any person who, with intent to commit crime, breaks and enters, either by day or by night, any building, whether inhabited or not, and opens or attempts to open any vault, safe or other secure place by use of nitro-glycerine, dynamite, gunpowder or any other explosive, shall be deemed guilty of burglary with explosives. Section 2. Any person duly convicted of burglary with explosives shall be punished by imprisonment for a term of not less than twenty-five nor more than forty years." This law has been passed in the above or modified form in twenty-four states and in the following states it has not yet been enacted: Alabama, Arizona, Arkansas, District of Columbia, Florida, Georgia, Indiana, Louisiana, Maine, Massachusetts, Mississippi, Nevada, New Mexico, New York, North Carolina, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Utah, Vermont, Virginia, Washington and West Virginia.

Payment of Deposits in Two Names—Joint or two-name accounts in banks are now quite usual, and the purpose of legislation in this direction is to clear up any legal doubt concerning the authority of the bank to pay over a savings account to the survivor by expressly providing such authority. This statute has been passed in the recommended form or with some change in phraseology in thirty states. This law is yet to be enacted in the following states: Alabama, Arizona, Arkansas, Colorado, District of Columbia, Georgia, Illinois, Indiana, Kentucky, Missouri, Nevada, New Mexico, North Dakota, Oklahoma, Pennsylvania, South Carolina, Tennessee, Texas and West Virginia.

Payment of Deposits in Trust—An Act relative to payment of deposits in trust, was prepared as a necessary, or at all events desirable, law to protect or justify the bank in making payment of a deposit made by one person in trust for another, to the beneficiary upon death of the trustee in the absence of any other written notice of the existence and terms of a legal and valid trust. The law as recommended, which is modeled upon the New York law, or laws substantially to the same effect or with changed phraseology, have been enacted in twenty-four states. The law is yet to be enacted in the following states: Alabama, Arizona, Arkansas, Colorado, District of Columbia, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Mississippi, Nebraska, Nevada, New Hampshire, New Mexico, North Dakota, Ohio, Oklahoma, South Carolina, Tennessee, Virginia and Washington.

Competency of Bank and Corporation Notaries—An Act concerning notaries public who are stockholders, directors, officers or employees of banks or other corporations, was drafted by the General Counsel of the Association in December, 1908, and is designed to qualify notaries who are stockholders, officers or employees of banks to take acknowledgments, or make protests of paper in which the bank is interested, or administer oaths to other officers of the bank. The main purpose of the proposed law is to qualify the notary, where a stockholder, to take acknowledgments of instruments running to the bank or to make protests of the bank's paper. This law has been enacted either as drafted or with changed phraseology in the following states: Delaware, Kansas, Maine, Michigan, Minnesota, Mississippi, Montana, Nevada, New Jersey, New York, South Dakota, Vermont, Washington and Wyoming. The other states have not yet enacted this law.

Non-Payment of Check Through Error—An Act to limit the liability of a bank for non-payment of a check through error, reading as follows: "No bank shall be liable to a depositor because of the non-payment through mistake or error and without malice of a check which should have been paid unless the depositor shall allege and prove actual damage by reason of such non-payment and in such event the liability shall not exceed the amount of damage so proved," was prepared by the General Counsel of the Association and approved and recommended to the state associations by the Executive Council and General Convention of the American Bankers Association at the annual session at Richmond in October, 1914, as desirable for enactment in their respective states. The above statute has been enacted to date in California, Idaho, Montana, New Jersey and Oregon. The other states have not yet enacted this law.

Bank Transactions on Saturday Afternoon—The following draft has been prepared by the General Counsel of the American Bankers Association, pursuant to authority of the Administrative Committee: "Nothing in any law of this state shall in any manner whatsoever affect the validity of, or render void or voidable, the payment, certification or acceptance of a check or other negotiable instrument or any other transaction by a bank in this state, because done or performed on any Saturday between twelve o'clock noon and midnight, provided such payment, certification, acceptance or other transaction would be valid if done or performed before twelve o'clock noon on such Saturday; provided further, that nothing herein shall be construed to compel any bank in this state, which by law or custom is entitled to close at twelve o'clock noon on any Saturday, to keep open for the transaction of business or to perform any of the acts or transactions aforesaid, on any Saturday after such hour except at its own option." The object of the above draft of law is to establish, beyond question, the validity of the pay-

ment of a check or other banking transaction on Saturday afternoon. The above statute has been enacted in the following states: New Jersey, Pennsylvania and South Dakota. The other states have not yet enacted this law.

Forwarding Check Direct to Payor—"Any bank, banker or trust company, hereinafter called bank, organized under the laws of, or doing business in, this state, receiving for collection or deposit, any check, note or other negotiable instrument drawn upon or payable at any other bank located in another city or town, whether within or without this state, may forward such instrument for collection directly to the bank on which it is drawn or at which it is made payable, and such method of forwarding direct to the payor shall be deemed due diligence and the failure of such payor bank, because of its insolvency or other default, to account for the proceeds thereof shall not render the forwarding bank liable therefor; provided, however, such forwarding bank shall have used due diligence in other respects in connection with the collection of such instruments." Statutes similar to the foregoing were enacted in Louisiana in 1916 and in Montana in 1917. Under the general rule adopted by a majority of the courts a bank which forwards an item direct to the payor is guilty of negligence and responsible for any resulting loss. The enactment of this statute would overturn the judicial rule. Custom has sanctioned the practice of forwarding direct and the passage of a law, such as above, would legalize the custom. The statute is yet to be enacted in all the states except Louisiana and Montana.

Legislation Enabling State Institutions to Join Federal Reserve System—At the last annual convention of the American Bankers Association held in Chicago, September, 1918, the following resolution was adopted: "*Resolved,* That the American Bankers Association favor the passage by state legislatures of laws which will authorize and make it desirable for state banks and trust companies to become members of the Federal reserve system and to this end the Committee on State Legislation is authorized to urge, through state organizations, the passage of such enabling legislation as may be necessary, including any or all of the following provisions and any other provisions which may be needed in particular states to accomplish the end in view: (a) That state banks and trust companies may subscribe to stock of, and become members of, Federal reserve banks. (b) That banks and trust companies becoming members of a Federal reserve bank shall be vested with all powers conferred upon member banks by the Federal Reserve Act and amendments thereto, and that such powers shall be exercised subject to the restrictions and limitations imposed by the Federal Reserve Act and its amendments, and the regulations of the Federal Reserve Board made pursuant thereto. (c) That a compliance with the reserve requirements of the Federal Reserve Act shall be deemed a compliance with the reserve requirements of state law. (d) That such banks and trust companies shall continue to be examined by their state authorities, except that the Federal Reserve Board shall have the right, if it deems necessary, to make examinations; and that the state authorities may disclose to the Federal Reserve Board all information in reference to the affairs of those banks or trust companies which become or desire to become members of a Federal reserve bank."

To carry out the purpose of the foregoing resolution, the following draft of law is suggested for enactment in those states that have as yet enacted no enabling legislation; and in states which have enacted legislation partially covering the subject, such of the above provisions as may seem desirable can be adapted for independent enactment:

"An Act authorizing any bank or trust company incorporated under the laws of this state to become a member of a Federal reserve bank; vesting in such bank or trust company all powers conferred upon member banks by the Federal Reserve Act, subject to the restrictions and limitations imposed by or under that Act; providing as to reserve requirements and examinations. SECTION 1. The word 'Federal Reserve Act' as herein used shall be held to mean and to include the act of Congress of the United States approved December 23, 1913, as heretofore and hereafter amended. The word 'Federal Reserve Board' shall be held to mean the Federal Reserve Board created and described in the Federal Reserve Act. The words 'Federal reserve bank' shall be held to mean the Federal reserve banks created and organized under authority of the Federal Reserve Act. The words 'member bank' shall be held to mean any national bank, state bank or banking and trust company which has become or which becomes a member of one of the Federal reserve banks created by the Federal Reserve Act. SECTION 2. That any bank or trust company incorporated under the laws of this state shall have the power to subscribe to the capital stock and become a member of a Federal reserve bank. SECTION 3. Any bank or trust company incorporated under the laws of this state which is, or which becomes, a member of a Federal reserve bank is by this Act vested with all powers conferred upon member banks of the Federal reserve banks by the terms of the Federal Reserve Act as fully and completely as if such powers were specifically enumerated and described herein, and all such powers shall be exercised subject to all restrictions and limitations imposed by the Federal Reserve Act, or by regulations of the Federal Reserve Board made pursuant thereto. The right, however, is expressly reserved to revoke or to amend the powers herein conferred. SECTION 4. A compliance on the part of any such bank or trust company with the reserve requirements of the Federal Reserve Act shall be held to be a full compliance with those provisions of the laws of this state which require banks or trust companies to maintain cash balances in their vaults or with other banks, and no such bank or trust company shall be required to carry or maintain reserve other than such as is required under the terms of the Federal Reserve Act. SECTION 5. Any such bank or trust company shall continue to be subject to the supervision and examinations required by the laws of this state, except that the Federal Reserve Board shall have the right, if it deems necessary, to make examinations; and the authorities of this state having supervision over such bank or trust company may disclose to the Federal Reserve Board, or to examiners duly appointed by it, all information in reference to the affairs of any bank or

trust company which has become, or desires to become, a member of a Federal reserve bank. SECTION 6. All acts and parts of acts inconsistent herewith are hereby repealed."

To carry out the purpose of the foregoing resolution the above draft of law is suggested for enactment in those states that have as yet enacted no enabling legislation; and in states which have enacted legislation partially covering the subject, such of the above provisions as may seem desirable can be adapted for independent enactment.

Fraud in the Secret Transfer of Accounts Receivable—At the last annual convention of the American Bankers Association held in Chicago, September, 1918, the following resolution was unanimously adopted: "*Resolved*, That the American Bankers Association favor, and the Committee on State Legislation are authorized to draft and urge, through state organizations, the passage of a uniform statute to prevent fraud in the transfer of accounts receivable by secret transfers." This is a subject in which the National Association of Credit Men are interested equally with the bankers, and it is desired to urge a draft of law agreed upon and acceptable to both organizations. The precise form of draft of law on this subject is now under consideration by counsel for the respective organizations, but has not yet been perfected. G. E. A.

Grist from the News Mill

CREDITS ON GOODS IN WAREHOUSE

The Division of Foreign Exchange of the Federal Reserve Board has ruled that unless otherwise instructed, "dealers" as defined under the Executive order of the President of January 26, 1918, are prohibited from issuing letters of credit or making transfers of funds for the purpose of purchasing goods to be held in warehouse for future and indefinite shipment, without first obtaining the approval of the director of the Division of Foreign Exchange.

INVESTMENT BANKERS MEET

The Investment Bankers' Association held its annual convention at Atlantic City December 9 and 10, 1918. Special attention was given to the railroad situation and to taxation problems. In this connection, the convention passed the following resolution in regard to the revenue bill then pending in Congress:

Whereas, The Investment Bankers' Association of America has extended its co-operation to the Committee of Congress and the Treasury Department in the preparation of tax laws, and regulations under them, to raise adequate revenue for war purposes, and,

Whereas, The association has favored a war profits tax adapted from the English plan solely as a war measure,

Resolved, It is the sense of the Board of Governors of the association that the principles of taxation embodied in the excess profits and war profits tax provision of existing law and the legislation now pending in Congress are and will be harmful to business development under peace conditions and should be discontinued at the earliest possible time practicable under reconstruction conditions.

William G. Baker was elected president of the association, Fred R. Fenton of Chicago secretary and H. L. Stuart of Chicago treasurer.

The following resolution on the railroads was also adopted:

Resolved, That the association put itself squarely on record at this time as opposed to public ownership of railroads or permanent public operation, and emphatically in favor of an early return to private ownership under such altered methods of regulation as will insure sound railroad credit and an adequate transportation system.

Further, That a committee of the association be appointed and charged with the special duty of giving diligent attention to this phase of the railroad situation.

GLASS NOW SECRETARY OF THE TREASURY

Carter Glass of Virginia took the oath of office as Secretary of the Treasury, succeeding William G. McAdoo, on December 16.

BANK RESOURCES OVER FORTY BILLIONS

According to a report by the Comptroller of the Currency, the resources of the 28,800 national and state banks in the United States on June 30 last aggregated $40,310,000,000. Of this total the 21,175 state chartered institutions and private banks held $22,371,000,000 and the 7,705 national banks $17,839,000,000. Deposits of the state banks were $18,567,000,000, an increase of 5 per cent. over the previous year, and loans were $12,426,000,000, an increase of 6.5 per cent. Deposits of the national banks were $14,021,000,000, an increase of 9.8 per cent., and loans $9,620,000,000, an increase of 9.1 per cent. Deposits of all institutions, state and national, totaled $32,589,000,000 and loans $22,046,000,000.

MORE BRITISH BANKS MERGE

London advices state that official Treasury sanction has been given to the proposed amalgamation of the Bank of Liverpool and Martin's Bank, to be effective as of July 1, 1918. The new institution will have a paid-up capital of £2,046,390 and will be known as the Bank of Liverpool & Martin's, Ltd.

RETIRING SECRETARY DINED

A complimentary dinner was tendered to Jerome Thralls, retiring secretary of the National Bank and Clearing House Sections, by the department heads and officials of the general offices of the American Bankers Association in New York on Friday evening, December 27. Mr. Thralls has taken up his duties as secretary and treasurer of the newly organized Discount Corporation of New York.

Title Changes Among Bank Officers

Following is a list of officers' title changes in institutions which are members of the American Bankers Association, reported to the JOURNAL from November 26 to December 25, inclusive. Members will confer a favor by notifying this department immediately of any such changes. Publication will be made only on receipt of information direct from members.

ALABAMA

Sheffield—J. Leigh Andrews, formerly vice-president, elected president Sheffield National Bank, succeeding J. W. Worthington, retired; Thomas C. Sanford elected vice-president; H. R. Rutland, heretofore assistant cashier First National Bank of Chattanooga, appointed cashier, succeeding G. E. Roulnac, deceased.

ARIZONA

Tucson—W. A. Lamprey elected president Tucson National Bank, succeeding Reuben R. R. Cook, resigned; W. H. Land elected vice-president, and Byrd Brooks, cashier.

ARKANSAS

Foreman—J. S. Mitchell appointed cashier Citizens Bank, succeeding A. E. Waters, resigned to become cashier First National Bank, Ashdown.

CALIFORNIA

Oceanside—J. C. Pollock elected president First National Bank, succeeding Jesse Newton; John W. Sherman elected vice-president and cashier, succeeding Loyd J. Wackham as cashier.

IDAHO

Meridian—J. A. Fenton, heretofore cashier, elected president First National Bank, succeeding Chas. P. Mace; Geo. E. Hardin elected vice-president, succeeding Geo. Parkin; J. M. Dodds appointed cashier.

ILLINOIS

Chicago—S. T. Kiddoo, formerly vice-president, elected president Live Stock Exchange National Bank, succeeding M. A. Traylor; G. F. Emery, formerly cashier, now vice-president; D. R. Kendall, heretofore assistant cashier, appointed cashier.

Chicago—James G. Collins, formerly assistant cashier, appointed cashier South Chicago Savings Bank.

Rochelle—James C. Fesler, formerly vice-president, elected president Peoples Loan and Trust Company, succeeding D. W. Baxter, deceased; A. A. Phelps now vice-president.

INDIANA

Bedford—Henry P. Pearson elected secretary-treasurer Citizens Trust Company, succeeding Robert I. Beddoe, resigned.

IOWA

Carson—D. E. Alldredge, formerly assistant cashier Bankers Trust Company, Des Moines, elected president State Savings Bank, succeeding T. G. Turner.

Grinnell—J. M. Woodworth, cashier Grinnell Savings Bank, resigned.

Hanlontown—Clarence Rye, formerly cashier, elected vice-president Citizens Savings Bank; Melvin T. Rye now cashier.

Linn Grove—W. G. Anderson, formerly cashier Citizens National Bank of Royal, elected cashier First National Bank, succeeding P. J. Toft.

Manchester—R. D. Graham appointed cashier First National Bank, succeeding D. A. Preussner.

Valley Junction—W. R. Beck elected president Valley Junction Savings Bank, succeeding W. H. Field, retired.

KANSAS

Fredonia—H. G. Van Duser, formerly assistant cashier State Bank of Fredonia, elected cashier Citizens State Bank, succeeding Mark Wiley, retired.

KENTUCKY

Louisville—E. B. Robertson, formerly cashier, elected vice-president and cashier American Southern National Bank; Noel Rush, formerly assistant cashier, now vice-president.

LOUISIANA

New Orleans—R. S. Hecht, formerly vice-president, elected president Hibernia Bank & Trust Company, succeeding John J. Gannon; Fred. W. Ellsworth elected first vice-president.

MASSACHUSETTS

Boston—William P. Hart, formerly treasurer, elected president Charlestown Five Cents Savings Bank; George P. Nason now treasurer.

Boston—John W. Marno, formerly assistant cashier, appointed cashier National Union Bank, succeeding Arthur E. Fitch, deceased.

Boston—Charles E. Nott elected secretary New England Trust Company, succeeding Henry N. Marr, retired.

New Bedford—Wm. A. Mackie, formerly vice-president and cashier, elected president First National Bank, succeeding Gideon Allen, Jr., retired; Frank B. Chase, heretofore assistant cashier, now cashier.

Pittsfield—Frank W. Dutton, formerly cashier, elected second vice-president Agricultural National Bank; Clark J. Harding, formerly assistant cashier, appointed cashier.

MICHIGAN

Detroit—Edmund Atkinson elected vice-president Michigan State Bank, succeeding Stanley C. Kruszewski.

MINNESOTA

Conger—E. L. Day, formerly assistant cashier First National Bank, Kiester, appointed cashier State Bank of Conger, succeeding I. H. Hoel.

Jasper—E. U. Iverson, formerly assistant cashier Farmers State Bank, Hardwick, appointed cashier Farmers State Bank, succeeding L. N. Marsden, deceased.

Minneapolis—A. C. Ekelund elected president Central State Bank, succeeding I. F. Cotton, resigned.

Porter—I. H. Hoel appointed cashier State Bank of Porter, succeeding O. G. Olson.

Redwood Falls—Walter L. White appointed cashier Farmers State Bank, succeeding L. C. Stuart.

Williams—H. C. Hanson appointed cashier First State Bank, succeeding R. H. Sanford.

MISSOURI

Chillicothe—A. E. Gibson elected secretary Chillicothe Trust Company, succeeding R. L. Isherwood, resigned.

Kansas City—C. P. Tilden, formerly discount clerk, elected secretary Pioneer Trust Company, succeeding W. H. Seeger, deceased.

St. Louis—W. F. Carter, vice-president Mercantile Trust Company, resigned.

MONTANA

Baylor—E. S. Farrington, formerly assistant cashier Glasgow National Bank, Glasgow, appointed cashier First National Bank, succeeding R. C. Merrill.

Poplar—C. L. Smith elected cashier Traders State Bank, succeeding C. E. Scott.

Wisdom—Wm. Huntley elected president State Bank of Wisdom, succeeding Daniel Boyle; H. L. Bilsborough appointed cashier, succeeding A. M. Sheimo.

NEBRASKA

Hemingford—James Potmesil elected president First National Bank, succeeding Calvin J. Wildy.

Niobrara—J. Crickmer appointed cashier Niobrara Valley Bank, succeeding C. A. Burton, resigned.

Sidney—J. W. Johnson, formerly vice-president, now vice-president and cashier American Bank, succeeding Robert A. Barlow, resigned, as cashier; George R. Buckner elected vice-president.

NEW YORK

Buffalo—Merle H. Denison, formerly cashier Marine National Bank, elected secretary and treasurer Fidelity Trust Company.

New York—John Clausen, formerly vice-president Crocker National Bank of San Francisco, elected vice-president Chemical National Bank.

New York—S. Stern elected vice-president Columbia Trust Co.

New York—Charles A. King elected president Commonwealth Bank, succeeding Edward C. Schaefer, now chairman of board.

New York—Joseph R. Swan appointed vice-president Guaranty Trust Company.

Tarrytown—John H. Fisher, heretofore assistant cashier, appointed cashier Tarrytown National Bank, succeeding William D. Humphreys, deceased.

Yonkers—Leslie Sutherland elected president Yonkers National Bank, succeeding F. O. Freethy, resigned.

NORTH CAROLINA

Wilmington—R. L. Henley elected vice-president American Bank & Trust Company.

NORTH DAKOTA

New Salem—F. H. Ellwein, formerly assistant cashier, appointed cashier Farmers & Merchants State Bank, succeeding Peter Roth, resigned.

Osnabrock—H. A. Helgeson, formerly cashier, elected president Great Western Bank, succeeding John Howits, resigned; L. R. Daughenbaugh now cashier.

Towner—John Thorpe, cashier First National Bank, resigned.

OHIO

Smithfield—W. M. Cattell appointed cashier Miners and Merchants Bank, succeeding C. M. Bargar, resigned.

PENNSYLVANIA

Allentown—Martin E. Kern elected president Penn Counties Trust Company, succeeding Charles C. Kaiser, resigned; Harry A. Muschlitz and N. A. Haas elected vice-presidents.

Duquesne—L. H. Botkin elected vice-president Duquesne Trust Company, succeeding E. J. Hamilton, deceased.

Philadelphia—John G. Sonneborn, formerly cashier, now vice-president and cashier Ninth National Bank.

Philadelphia—Edmund Williams, formerly assistant cashier, appointed cashier Tradesmen National Bank, succeeding H. D. McCarthy, formerly vice-president and cashier, now vice-president.

Pittsburgh—L. Z. Birmingham, formerly secretary and treasurer, elected active vice-president Hazlewood Savings & Trust Company; D. C. W. Birmingham now secretary and treasurer.

RHODE ISLAND

Newport—Clark Burdick, formerly vice-president, elected president Newport Trust Company; Edward A. Sherman, formerly secretary and treasurer, elected vice-president.

SOUTH DAKOTA

Kimball—C. H. Coxe elected cashier Lumbard Bank, succeeding E. S. Potter.

TEXAS

Austin—H. A. Wroe, formerly vice-president, elected president American National Bank, succeeding George W. Littlefield, now chairman of board.

Eldorado—J. B. Christian, formerly cashier, elected president First National Bank, succeeding W. B. Silliman, resigned; W. O. Alexander, formerly assistant cashier, now cashier.

Ennis—E. K. Atwood, formerly vice-president, elected president Ennis National Bank, succeeding Robert J. Caldwell, resigned.

WASHINGTON

Spokane—F. J. Guse appointed cashier Washington Trust Co., succeeding Ira Bedle.

WISCONSIN

Milltown—J. B. Palm elected cashier Milltown State Bank, succeeding W. E. Twetten, resigned.

Mortuary Record of Association Members

REPORTED FROM NOVEMBER 25 TO DECEMBER 25, 1918

Baxter, D. W., president Peoples Loan & Trust Co., Rochelle, Ill.

Burgundthal, W. C., cashier Citizens Savings Bank, Martins Ferry, Ohio.

Carpenter, Charles E., cashier Farmers National Bank, Oklahoma City, Okla.

Christie, Robert A., president First National Bank, Berlin, Wis.

Coons, Henry W., assistant treasurer East Brooklyn Savings Bank, Brooklyn, N. Y.

Fitzgerald, D. O., assistant cashier Third National Bank, St. Louis, Mo.

Hanson, E. A., cashier First National Bank, Decatur, Nebr.

Henry, R. P., president R. P. Henry & Sons, Bankers, Lancaster, Texas.

Hillman, Roy P., director, secretary, cashier Guaranty Trust & Savings Bank, Los Angeles, Cal.

Hinsdale, Oscar B., president First National Bank, Gardiner, Ore.

Holbert, Frank, cashier Farmers National Bank, Sussex, N. J.

Iehl, Edward A., cashier Iehl & Sons, Bankers, Melvin, Ill.

McKinney, C. F., president Harney County National Bank, Burns, Ore.

McMillan, Benjamin F., president First National Bank, Marshfield, Wis.

McReynolds, W. N., active vice-president First National Bank, Port Arthur, Texas.

Marsden, L. N., cashier Farmers State Bank, Jasper, Minn.

Mast, Hollis T., cashier Farmers & Merchants State Bank, Nacogdoches, Texas.

Maynard, Frank P., president Peoples National Bank, Claremont, N. H.

Mead, Robert D., secretary Howard Savings Institution, Newark, N. J.

Mills, Mark Pomeroy, cashier Heyburn State Bank, Heyburn, Idaho.

Oglesby, Alfred Shipman, president First National Bank, Tuckahoe, N. Y.

Parmele, Smith L., president Bank of Lima, Lima, N. Y.

Persise, James F., president West Baden National Bank, West Baden, Ind.

Richmond, Stacy Curtis, Winslow, Lanier & Co., New York, N. Y.

Siverly, Clyde L., president Union National Bank, Ames, Iowa.

Sluder, Edwin, vice-president Battery Park Bank, Asheville, N. C.

Stebbins, Charles A., president Stebbins Banking Co., Creston, Ohio.

Voss, Charles N., president American Commercial & Savings Bank, Davenport, Iowa.

Wentzy, Albert B., cashier Whitewood Banking Co., Whitewood, S. D.

Zimmerer, Joseph C., cashier Farmers State Bank, Avoca, Nebr.

Membership Changes

REPORTED FROM NOVEMBER 25 TO DECEMBER 25, 1918

There are frequent changes which come about through consolidations, mergers, liquidations and changes of title. The General Secretary of the Association would appreciate receiving from members notice of any changes which occur, for the purpose of keeping the membership list correct and giving publicity through the columns of the JOURNAL.

California	Oakland	Security Bank, Fruitvale Branch, succeeded by Bank of Italy, Fruitvale Branch.
	Oakland	Security Bank succeeded by Bank of Italy.
	Vallejo	Vallejo Commercial Bank changed to Vallejo Bank of Savings.
Illinois	Chicago	Geo. D. Cook & Co., 149 Broadway, New York, N. Y., moved to 4535 Grand Boulevard, Chicago.
Indiana	Valparaiso	Farmers National Bank succeeded by Farmers State Bank.
Iowa	Kesley	Bank of Kesley changed to Kesley State Bank.
New York	Syracuse	National Bank of Syracuse merged with Syracuse Trust Co.
Ohio	Port Clinton	German-American Bank changed to The American Bank.
Virginia	New Market	First National Bank in voluntary liquidation.
West Virginia	Chelyan	Bank of Cabin Creek, Chelyan, post office now named Cabincreek.

New Members from November 26 to December 24, 1918, Inclusive

Alabama

Alabama Bank & Trust Co., Cullman 61-472.

Arkansas

First National Bank, Dardanelle 81-599.

Georgia

First National Bank, Moultrie 64-202.

Kansas

Prairie State Bank, Augusta 83-1293.
Home State Bank, Russell 83-1299.

Louisiana

Peoples State Bank, Coushatta 84-323.

Maine

Ashland Trust Co., Ashland 52-237.

Michigan

Peoples State Bank, Hastings Street Branch, Detroit, 9-10.

Missouri

Commercial Bank, Bertrand 80-1566.

Montana

Marcum State Bank, Cascade 93-248.
First National Bank, Musselshell 93-474.

Nebraska

Union State Bank, Beatrice 76-23.
Farmers State Bank, Marquette 76-970.
German Bank, Millard 76-807.

New York

New York Trust Co., 5th Avenue Branch, New York 1-114.

North Dakota

Argusville State Bank, Argusville 77-806.

Oklahoma

First State Bank, Locust Grove 86-964.

Oregon

Maupin State Bank, Maupin 96-270.

South Dakota

First National Bank, Pollock 78-752.

West Virginia

First National Bank, Matoaka 69-373.
Bank of Sutton, Sutton 69-378.

Bolivia

Denniston & Co., Oruro.

Cuba

Banco Mercantil Americano de Cuba, Havana.

Mexico

A. Zambrano & Sons, Saltillo, Coahuila.